Farm Products Marketing Commission
La Commission de Commercialisation des Produits Agricoles

Province of N. B.
La Province du N.-B.

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13 November, 1984

Hon. Malcolm N. MacLeod,
Minister of Agriculture and
Rural Development,
Fredericton, N. B.

Dear Mr. Minister:

I am pleased to submit two reports on the review of agricultural commissions and marketing boards.

This review was initiated by Order-in-Council 82-993, dated December 9, 1982. The Terms of Reference were worked out in more detail in consultation with you.

I wish to extend my sincere appreciation for the important contributions made by many individuals and organizations whose names are recorded in the report. I also want to express my special thanks to you and your Department for valuable assistance and co-operation in carrying out this review.

Respectfully submitted,

H. Raymond Scovil

H. RAYMOND SCOVIL
CHAIRMAN

A Review of New Brunswick Agricultural
Commissions and Marketing Boards

REPORT II

A REVIEW OF THE STRUCTURE, POWERS AND ROLE OF NEW BRUNSWICK AGRICULTURAL MARKETING BOARDS

Presented By

H. Raymond Scovil, Chairman
N. B. Farm Products Marketing Commission

November 1984

PREFACE

It was originally intended that the "Review of New Brunswick Agricultural Commissions and Marketing Boards" be published as a single report. However, as the material came together towards the end of the study, it became apparent that this would be a large document, parts of which would not be of interest to all readers. It was therefore decided to publish the review and recommendations in two reports, as follows;

Report 1: A Review of the Structure, Powers and Role of New Brunswick Agricultural Commissions

Report 2: A Review of the Structure, Powers and Role of New Brunswick Agricultural Marketing Boards.

By taking this approach, it is hoped that the contents will be more manageable and that this will enable organizations and individuals to select the report that applies to their particular area of interest.

ACKNOWLEDGEMENTS

The review was conducted through extensive consultation with many people and organizations. In Appendix II are listed the names of persons and organizations who provided valuable assistance either through the presentation of briefs or by personal interview. In addition, a number of consultants were engaged to prepare individual reports or papers and to conduct research relating to government agricultural commissions as well as agricultural commodity marketing boards.

Excellent co-operation was received from many persons and officials with the New brunswick Department of Agriculture as well as several other Departments of the Federal and Provincial Governments.

We wish to extend special thanks to staff and members of the New Brunswick Farm Products Marketing Commission, the New Brunswick Dairy Products Commission, the New Brunswick Crop Insurance Commission, the New Brunswick Grain Commission, the National Farm Products Marketing Council and the Canadian Dairy Commission.

In addition, special thanks are due to D. J. Bettson, Agricultural Consultant, who not only wrote approximately half the overall report but also compiled and edited both volumes.

ORDER-IN-COUNCIL AND TERMS OF REFERENCE

Order-in-Council Number 82-993, dated December 9, 1982, states:

> "Under Section 2 of the Farm Products Marketing Act, H. Raymond Scovil is appointed..., effective January 3, 1983, as Chairman of the Farm Products Marketing Commission with special responsibilities for new programs for boards and commissions that report to the Minister of Agriculture and Rural Development."

The terms of reference for the review were provided by the Minister of Agriculture, Hon. Malcolm N. MacLeod.

1. To review the existing supervisory role of the Government of New Brunswick in respect to the marketing of farm products.

2. To review the existing legislation respecting the New Brunswick Farm Products Marketing Commission, the New Brunswick Dairy Products Commission, the New Brunswick Crop Insurance Commission and the New Brunswick Grain Commission.

3. To make recommendations on how the supervisory role of the Government of New Brunswick, in respect to marketing farm products, can be improved and strengthened.

PRINCIPAL CONCLUSIONS AND RECOMMENDATIONS

I Conclusions

1.1 Marketing Boards:

1. Agricultural marketing boards and agencies have developed as a significant factor in agricultural sectors of the Province over the past 12 years.
2. The present 10 marketing boards and agencies are involved in the marketing of over 70% of the farm products (value at farm gate $140 million) produced in New Brunswick.
3. Five of the boards have quota systems to manage volume of production. These are milk, cream, turkey, chicken and eggs.
4. Within the 10 boards, there are significant differences in the effectiveness and efficiency of board operations. This refers to the internal management functions common to all boards, namely marketing, communications, planning and administration.

1.2 Quota Management:

1. Ownership of quota should rest with a provincial body or its agents to ensure that quota allocation is not abused and is consistent with a family farm approach. The complexities of quota allocation dictate that the Commission delegate quota administration to individual Marketing Boards subject to Commission guidelines and appeal.
2. No single identical quota policy can be appropriate for all commodities, but general guidelines can be developed.
3. A free but formal quota exchange system which favours industry efficiency and has identifiable quota values is desirable so that such values can be minimized and excluded from cost of production formulae.
4. Systems are required to provide for temporary and permanent quota re-allocation to maximize quota usage within the province and encourage expanded shares of national quota allocations.

5. Boards issuing quotas require all necessary legislative authorities to ensure enforcement of local and national control requirements.
6. Supply guarantees are necessary for expansion of higher value use of industrial milk in the medium term and for other products when applicable.

1.3 Commodity Pricing:

1. Pricing policy can be an important factor in ensuring long-term viability for the New Brunswick agricultural sector, particularly for local suppliers of the provincial market.
2. Market-determined pricing is the most common mechanism for price determination in most marketing board situations.
3. Negotiated pricing is a satisfactory means of strengthening producer bargaining power within an overall market determined pricing system, when other alternatives are not feasible owing to production and marketing conditions. This applies particularly in the absence of national marketing arrangements and active interprovincial and international product movement.
4. Chicken and turkey producers have not succeeded in developing cost-based pricing for their products. This cannot be achieved within the context of a provincial marketing board system and cannot be achieved without a national surplus removal system. Commission oversight can be useful to ensure that long-term industry viability is not endangered by pricing policies which sacrifice long-term market share for short-term profit.
5. Milk and egg producers have succeeded in developing cost of production based pricing for their products and require Commission oversight of their pricing decisions, particularly beyond the farm gate to ensure the maintenance of market shares.
6. Cost of production plus a reasonable return is a valid basis for setting maximum official producer prices where Boards have monopoly price-setting powers.

7. The pricing initiative should rest with the Boards whose direct interests lie with satisfactory industry negotiation and/or consultation. Oversight should remain with the Commission whose capacity to assess costs of production and market conditions needs to be enhanced to carry out its responsibilities.
8. With enhanced cost evaluation capacity in the hands of the Commission, producer marketing boards may be permitted to establish market prices for their products, subject to challenge by or to the Farm Products Marketing Commission.

II Review Recommendations

2.1 Marketing Boards:

1. In order to maintain the vitality of any organization, it is necessary to regularly introduce fresh ideas and opinions; therefore, it is recommended that all boards have a system in place that will provide for an orderly rotation of directors and the introduction of new blood.
2. Because of wide variation in how the roles of marketing board chairmen, directors and secretary-managers are perceived by those concerned, it is recommended that the present training program of one annual seminar sponsored by the NB Federation of Agriculture, the Department of Agriculture and the Farm Products Marketing Commission be greatly expanded to include a variety of training courses and tours.
3. With one or two exceptions, the evidence suggests that marketing boards or agencies have not established short and long term objectives or subsequently set and periodically reviewed priorities; therefore, it is recommended that each board have in place a system for consideration, selection and establishment of both short and long term objectives with priorities.
4. Because of the importance of all members of marketing boards and agencies being informed on programs and issues, it is essential that the chairman, secretary-manager and directors

make special efforts to ensure all segments of the membership are heard on matters affecting their operations.

5. Because of the importance of efficient administration, it is strongly recommended that all boards develop management and procedure manuals.

2.2 Quota Management:

It is recommended that the following basic principals be applied to the policies for quota management.

1. All quota-issuing Boards must provide for the following factors in quota management through the medium of clearly worded Board Orders that have been gazetted.
   - detailed procedures and eligibility criteria for quota application and allocation.
   - Provisions for upper limit quotas, priority allocation to small units versus large units and opportunities for new entrants.
   - reallocation of unused quota on a temporary short-term basis.
   - permanent reallocation of unused quota after a specified period (not more than two years).
   - penalties for over-quota production.
2. All quota issuing boards should institute mechanisms to facilitate quota exchanges between producers, and favour the free exchange of quota between producers and the recognition of quota values.
3. All quota issue decisions should be subject to review and appeal to the Farm Products Marketing Commission.
4. The New Brunswick Milk Marketing Board should be permitted to evolve its quota exchange in the light of industry experience.
5. The Commission should require the Milk Marketing Board to ensure that industrial users of Class 3-5 milk have sufficient supplies for planned expansion for five years at the expense of Class 6 users, while seeking expanded quota for New Brunswick Class 6 use.

6. All quota additional to that presently allocated by commodity organizations under supply management plans, should be owned by the Marketing Board and leased to producers at a nominal rate.

2.3 Commodity Pricing:

It is recommended that the following basic principles be applied to the policies for commodity pricing.

1. The Commission should enhance its capacity to monitor and evaluate New Brunswick costs of production and market conditions, so as to improve its capacity to assess the competitive position of New Brunswick Agriculture by sector, its market share position, and its long-term viability.
2. The Commission should encourage producer boards to develop cost and market data, using whatever resources are available. This would aid the credibility of board price negotiation, consultation and determination. It should invite a proposal for a milk cost of production formula and seek consensus on such a formula, to be maintained on a regularly published basis by the Milk Marketing Board.
3. It is recommended that administered pricing systems for monopoly Boards, milk and eggs, based on current costs of production plus a reasonable return, be an acceptable basis for the establishment of maximum official producer prices. It should decline to review such prices when they are set below such a figure on the average.
4. The Commission should avoid interference in marketing board pricing unless there is evidence pricing decisions are reducing New Brunswick shares of markets. This applies particularly to chicken and turkey prices which at times are below cost. Producers of products whose prices are market-determined should be allowed to capture windfall gains above cost when the market permits this. The Commission will maintain a watching brief to ensure and encourage the retention of the traditional markets of New Brunswick producers. This

would encourage necessary action to respond to competitive impacts based on resource inputs to producers in other political jurisdictions.

5. All price setting boards should have negotiating mechanisms or have compulsory and active consultative procedures. This should apply as much to the Chicken, Turkey and Milk Boards, as it applies to Greenhouse Products, Apples or Potatoes. No price increase should be considered acceptable unless a formal consultation procedure with interested parties has been followed.
6. Marketing Boards with pricing authorities should continue to be permitted to publish established prices for their commodities after negotiating/consultative procedures. This includes the Milk Marketing board. These prices will be subject to oversight by, or appeal to, the Commission. This should apply to industrial milk pricing and distributor prices for eggs as well, bearing in mind local landed prices for manufactured products from outside the province. As a general principle, the Commission should seek to minimize the regulation of activities beyond the farm gate.
7. The Commission should decline to support Egg Board pricing which involves activity by producers as processors, if these are challenged. Should competition arise between processors within the province relative to externally sourced eggs, or in competition with shippers from outside the province for cartoned, retailer or wholesaler priced eggs, then the Commission should decline to enforce such processor prices on such shipments.

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INTRODUCTION

As stated in the Terms of Reference for the Review, one major objective was to review the supervisory role of Government in respect to the marketing of farm products, and to make recommendations on how the marketing of New Brunswick farm products can be improved and strengthened. Another purpose was to conduct a study of the existing legislative framework respecting the New Brunswick Farm Products Marketing Commission, the New Brunswick Dairy Products Commission, the New Brunswick Crop Insurance Commission and the New Brunswick Grain Commission to determine the suitability of the legislation under present circumstances.

Report I has seven chapters concerning the Government agricultural commissions as well as the role and responsibilities of the Minister of Agriculture and the Department of Agriculture and Rural Development. Report II has three chapters which outline the objectives, functions and organization of regulated agricultural marketing and how these are carried out through the New Brunswick agricultural marketing boards, as well as the National farm products marketing agencies.

Report II is designed to provide a foundation which will enable marketing boards and agencies to strengthen and improve their marketing programs. This report indicates there has been a significant expansion in the number of agricultural marketing boards and agencies in the past ten years. In fact, 80% of the farm cash income ($180 million annually) in New Brunswick is associated with marketing boards. This includes organizations that are operating under both Federal and Provincial legislation. During the past decade the interest in marketing boards on the part of farmers has greatly increased. This major interest and support for organized marketing has resulted in the establishment of ten agricultural marketing boards or agencies in the Province, as follows:

New Brunswick Apple Marketing Board
New Brunswick Greenhouse Products Marketing Board
New Brunswick Chicken Marketing Board
New Brunswick Cream Marketing Board
New Brunswick Egg Marketing Board
New Brunswick Hog Marketing Board
New Brunswick Milk Marketing Board
New Brunswick Turkey Marketing Board
New Brunswick Potato Agency
New Brunswick Cattle Marketing Agency

On the national level, marketing boards started in Canada in the 1930's. Farmer interest, at that time, developed because they were suffering from very low prices and income, and because a Royal Commission stated that this was partly caused by concentration among processors and other secondary industries. This meant that thousands of farmers were selling products independently without any bargaining power; while, on the other hand, there were few buyers who were able to dictate the terms. As a result, farmers frequently received prices below the cost of production and many went bankrupt.

In order to achieve co-ordination between the provinces on agricultural marketing, the Federal Government enacted the National Farm Products Marketing agencies Act in 1972. This Act gave farmers the authority to set up national marketing programs with powers ranging up to control over both supply and prices (called supply-management) for their commodities.

Three Agencies have been established under this legislation, namely the Canadian Chicken Marketing Agency, the Canadian Egg Marketing Agency and the Canadian Turkey Marketing Agency. Another Federal agency concerned with marketing is the Canadian Dairy Commission, which has responsibility for the supply management program for industrial milk, in co-operation with the provincial

Milk Marketing Boards. In addition, there is a Federal organization known as the Canadian Wheat Board which operates under Federal legislation and is responsible for national grain marketing programs.

The recommendations resulting from this review are intended to assist the New Brunswick Government as well as the boards in solving some of the problems that have been encountered respecting the operation of marketing boards and the management of quota and pricing systems. In addition, some of the recommendations are concerned with clearly defining the role of the Government in relation to the operation of marketing boards through improvements in the existing legislation and regulations.

At the beginning of each of the two reports there is a summary of the conclusions and recommendations; however, for the background and reasons for the recommendations, the reader will need to refer to appropriate chapters in the report.

CHAPTER 1

THE OBJECTIVES, FUNCTIONS AND ORGANIZATION OF REGULATED AGRICULTURAL MARKETING

A review of agricultural marketing boards and the responsibility of the government of New Brunswick for providing supervision of these complex systems, begs the question as to why such organizations are required in the first place? The opening chapter of this report is, therefore, devoted to briefly outlining the objectives and functions of organized marketing, and the systems that have been adopted in New Brunswick as those best suited to the interests of the provincial economy, the farmer, the consumer, and the other essential participants in the food production/marketing system.

It should be borne in mind that in spite of the magnitude of Canadian agricultural production as a whole, it is dwarfed by that of its neighbour to the south, which has many competitive advantages in terms of climate, soils and economies of scale. Within this context, the agriculture of the Maritime Provinces is particularly fragile. While it is essential for the Federal Government to exercise controls to maintain the integrity of national agricultural production and an adequate food supply for Canadian citizens, it is equally essential, under a federal system, to ensure that the provincial components of national production are also provided with safeguards to protect regional interests.

The sections that follow do not purport to provide a full discussion of the issues involved, but it is hoped that they will assist in placing the substance and content of the "Review of New Brunswick Agricultural Marketing Commissions and Boards" in the correct perspective.

1.1 OBJECTIVES

The objectives of organized marketing, in the interest of all groups in the marketing chain, may be stated as follows:

1) Provision of Stable and Reasonable Returns to the Producer

The prime objective from the standpoint of the producer is to obtain a stable and satisfactory farm income. This may be defined as the attainment of a return, over the long run, that is equivalent to that which would have been obtained in other sectors of the economy with the use of similar amounts of land, labour, capital and managerial skill, and at the same level of risk.

2) Provision of Quality Products at a Fair Price to the Consumer

The prime objective from the standpoint of the consumer is to be assured of an adequate and reliable supply of products at fair and stable prices; but equally, the product must be of such a quality and in such a form, with choices, to satisfy consumer tastes and requirements.

3) Encouragement of Efficiency of Production and Distribution

An organized marketing system must be designed to encourage and reward efficient production of the quality and type of product required by the market, coupled with efficient collection, handling and delivery to the purchaser (wholesaler, processor or consumer).

4) Control of Production and Sources of Supply

The right to manage levels of supply and restrict alternative sources is basic to the achievement of an effective marketing system, but is one that must be exercised with great discretion. This is the single most controversial factor from the consumer point of view as it is all too often misunderstood or misrepresented. The purpose is to maintain a viable production base to protect the interests of both consumer and producer in regard to items 1) and 2) above. Without such authority, the market may become subject to overproduction and the intermittent dumping of surplus produce which undermines the integrity of the production base.

5) Maximization of Market Opportunities

An essential objective of any marketing system is to take maximum advantage of opportunities in the marketplace. This does not just apply to growth and thus economies of scale, it applies equally to identifying and supplying the high value sectors of the overall market. Through these means, producer returns are increased, giving rise to specializations or grading procedures that may allow a lower price for the standard product.

6) Continuous Openings for New Entrants

A controlled entry of new producers into a regulated market system is essential to maintain the vitality of the production base and the producers' market organization. A frequent and sometimes valid criticism of regulated marketing is that it creates a closed-shop, confines the benefits to an elite group of producers, and prevents the entry of young people with innovative ideas. This need not be so with proper management of the quota system, and underlines the importance of government supervision of the activities of marketing boards.

1.2 FUNCTIONS

In order to achieve the objectives of organized marketing, the system introduced must be designed to carry out four basic functions which may be described as follows:

1) Determine consumer food requirements and trends (quantity, quality and services) and ensure that all participants in the system are continually informed and conversant with these needs.
2) Plan production to meet the consumer requirement for products and thus those of other participants in the food industry.
3) Execute the details of the plan by performing the physical tasks of production, assembly, processing, storage, distribution and delivery to the final consumer.
4) Determine and collect payments from the consumer and distribute these fairly among all participants in the system.

These four functions clearly bear a close relationship to one another which suggests that they should be performed in the same sequence.

The first function must be assessed in terms of the completeness, reliability and continuity of information, as well as the cost of assembling, analyzing and putting it into useable form. The information must then be communicated to all decision-makers in the system. An important requirement is timeliness. Unless this function is performed adequately, the succeeding ones cannot be executed properly.

The most critical function is the second. In view of the large number of people involved in decision-making or planning of product flow, some form of horizontal and vertical co-ordination among decision-makers is essential. Individuals must relate to one another during the planning stage. They cannot expect to realize all aspects of their individual plans unless these are consistent with those of all others in the production/marketing system. Vertical co-ordination refers to the need for relating the plans of various stages in the system. Horizontal co-ordination is concerned with the need for relating the plans of participants who engage in identical processes in the system.

The efficiency aspects of the third function determine the final price of food and because this is the most visible part of the system, it is also the one most frequently criticized.

The final function of income distribution or allocation of rewards on the basis of the resources employed, is as controversial between the participants in the system as is the final price of food to the consumer. Traditionally, farmers have had the weakest bargaining position within the system, and the only means open to them for overcoming this has been through joining together to form producer operated and financed marketing organizations.

Note: The A.R.S. Report, Chapter 7, Agricultural Marketing, pages 124-126 has provided a background to the foregoing sections.

1.3 ORGANIZATIONAL STRUCTURE

The organizational requirements of the food production/marketing system, who carries out the functions and how, are considerably more controversial than the concept of the basic functions themselves.

Organization is the distribution, among all participants in the system, of responsibility for making or influencing decisions and actions that determine performance with respect to both efficiency and income distribution. Distribution of such responsibility is important because the welfare of each participant depends on decisions made by other participants.

From the producer's point of view, the organization should be such that it meets two essential conditions. In the first place, it must enable producers to make effective production plans. This raises questions concerning the best form of organization among producers for rational production planning. The second requirement is that producers be organized so they can protect and promote their interest in the marketplace by influencing the actions and decisions of processors and distributors.

In New Brunswick, there are presently three different marketing systems or types of organization that are applied to the various commodities, as follows:

1) Regulation without supply management
2) Regulation with supply management
3) Price stabilization

These are described briefly below.

131 Regulation Without Supply Management

Marketing Boards established under this system are strictly provincial organizations. There are no equivalent national marketing agencies and, while they may liase with other provincial boards, the marketing plans and powers that they operate under are solely a provincial matter.

The purpose of this system is to protect and promote the interests of farmer members of the organization through the following range of measures.

1) Registration, licensing and control of producers in the overall interest of the commodity group.
2) Collection of fees and levies to enable the organization to operate as an independent body.
3) Setting and maintenance of quality standards.
4) Standardization of packaging.
5) Negotiation of minimum wholesale prices for various grades of product.
6) Control of product flow to the market.
7) Establishment of a marketing pool.
8) Provision of market information.
9) Conduct of promotion/advertising campaigns.
10) Cooperation with appropriate government and private sector agencies.

The commodity organizations that utilize this marketing system in New Brunswick are the Apple Marketing Board, the Greenhouse Products Marketing Board, the Cattle Marketing Agency, the Potato Agency and the Hog Marketing Board. While they all operate on the basis of common principles, the marketing plans and regulations of each organization vary according to the nature of the product and marketing requirements. The Hog Marketing Board, in particular, is very different from the other three in that it operates pool marketing and also has a price stabilization program.

132 Regulation With Supply Management

Supply management, as the term implies, is the system whereby the quantity of production of a commodity is controlled, through central decision making, in the interest of the producer, the consumer and national and regional economies. The objectives of the system may be stated as follows:

1) Maintenance of a viable production base (national and provincial).
2) Provision of the means whereby farmers can make rational long term production plans.

3) Prevention of surplus production.
4) Provision of stable and adequate farm incomes, i.e. a satisfactory rate of return on the resources invested.
5) Provision of an assured supply of quality products to the consumer at fair and stable prices.

The means employed for achieving these objectives are:

1) Application of production quotas (national, provincial and producer).
2) Limitation of new entrants.
3) Import controls.
4) Removal of surpluses from the market, i.e. sale for processing or to overseas markets.
5) Administered pricing.
6) Commodity promotion to maintain and expand the market.

To be able to achieve these requirements, the commodities selected for the application of supply management must be able to rely on a large and substantially controlled domestic market. These factors are described in detail under Chapter 2.

One of the most controversial aspects of supply management is the contention that controlled production maintains consumer prices at artificially high levels. However, the evidence does not support this as illustrated in Figure 1, which demonstrates the average annual percentage increase in food prices for commodities controlled by marketing boards compared to commodities under a free market situation.

In New Brunswick there are five marketing boards that operate under national supply management plans, namely: the Milk Marketing Board, Cream Producers Marketing Board, Egg Marketing Board, Chicken Marketing Board and Turkey Marketing Board. The national system under which these boards function is described under section 1.4 National Supply Management Plans.

FOOD PRICES: MARKETING BOARD & FREE MARKET COMMODITIES

(Average Annual Percentage Increase 1976—1984)

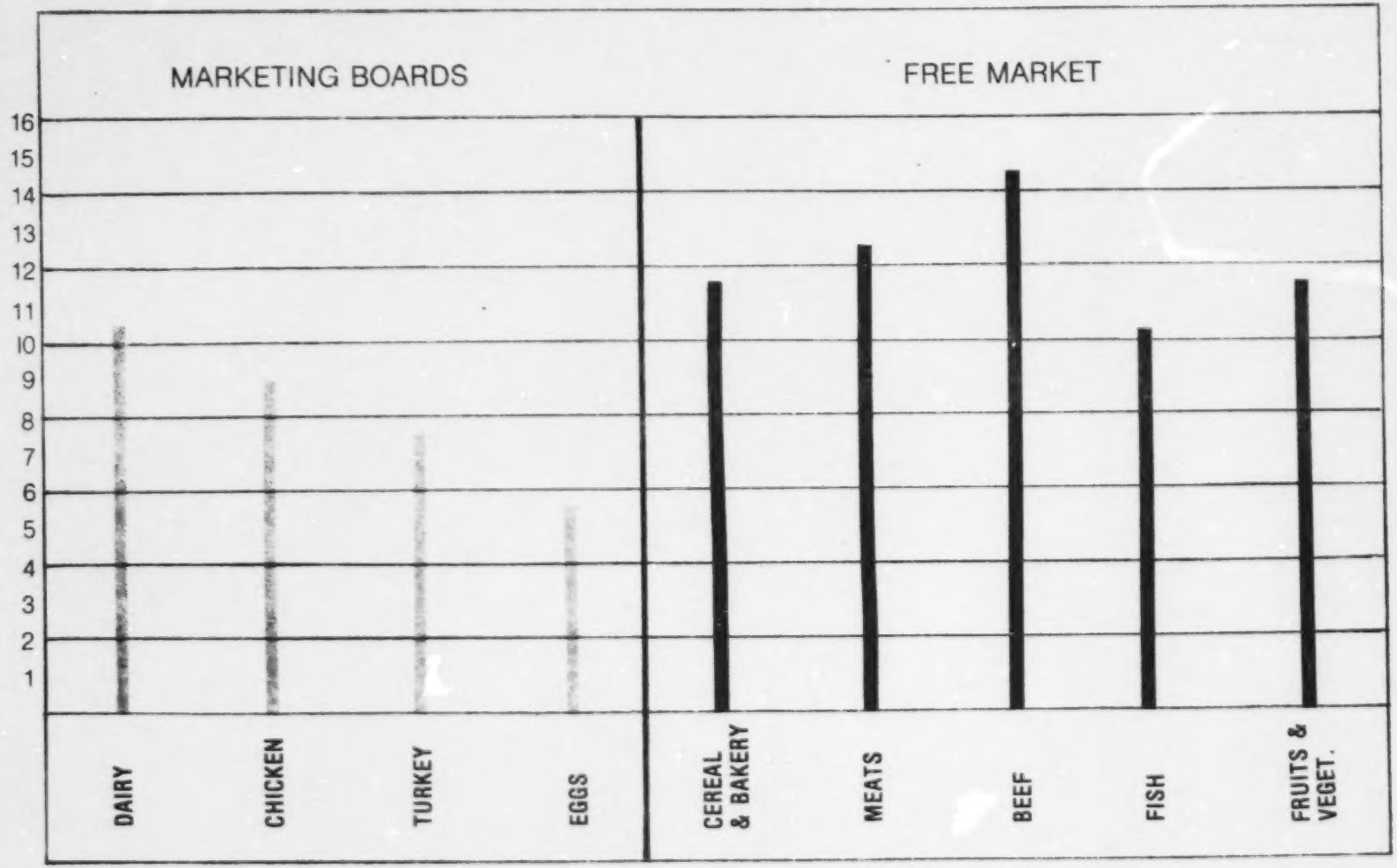


FIGURE 1

133 Price Stabilization

The purposes of price stabilization for any commodity may be stated as follows:

1) To ensure greater stability of production by enabling producers to remain in business during periods of low prices.
2) To remove the peaks and troughs in producer returns caused by cyclical markets in order to provide more stable and constant incomes over the long term.
3) To provide a more uniform supply of product to the market place and thus more stable prices for the consumer.
4) To provide greater security to producers so that efficient producers will not suffer financial loss during periods of low prices.
5) To provide a safeguard for agencies who loan capital for the development of the industry.

The system operates through the creation of a Price Stabilization Fund and the establishment of an adjustable base price. The latter is arrived at through a cost of production formula which is usually designed to cover 95 percent of out-of-pocket expenses, adjusted quarterly. When prices rise above the base price, producers pay into the fund on the basis of pre-determined criteria, and when prices fall below base price, producers receive pre-determined payments from the fund.

In New Brunswick, this system is only applied to the production of hogs, the market for which is notoriously volatile, and is known as the N.B. Hog Price Stabilization Program. This is fully described under Chapter 2, section 2.10.

In theory, this is an ideal system for commodities that suffer from volatile market prices. In practice, however, due to the vagaries of production, which are influenced by major factors outside the farmers control, price stabilization programs can be very expensive and may require major injections of government loan and grant funds. This is dramatically illustrated in Table 1, which shows provincial government financial input to the N.B. Hog Price Stabilization Program from its commencement in 1974/75.

While the cost was not excessive between 1974/79, the requirement for government support escalated during the following five years as a result of unusually low prices over most of this period, which were out of character with the previous "normal" three year hog cycle. This situation was seriously compounded by the fact that these unpredictable prices coincided with a period of major expansion in the New Brunswick industry which was stimulated by government assistance programs.

It has to be concluded, in general terms, that from the public point of view, supply management programs are much preferable to price stabilization programs as they are self-sustaining and generally require no government financing apart from a start-up grant.

TABLE 1

N.B. Hog Price Stabilization Program, 1974-84

FISCAL YEAR	GRANT	LOAN	TOTAL
1974-1975	$100,000.00	$100,000.00	$200,000.00
1975-1976	40,000.00		40,000.00
1976-1977	58,000.00	33,668.00	91,668.00
1977-1978	3,289.78	28,778.26	32,068.04
1978-1979	-	-	-
1979-1980	358,035.30	214,691.83	572,727.13
1980-1981	619,235.10	613,823.00	1,233,058.10
1981-1982	758,802.40	755,616.29	1,514,418.69
1982-1983	99,890.73	96,897.21	196,787.94
1983-1984	1,492,106.41	1,483,587.67	2,975,694.08
TOTAL	3,529,359.72	3,327,062.26	3,856,421.98

1.4 National Supply Management Plans

The National Farm Products Marketing Agencies act, passed by Parliament in 1972, provided for the creation of the Farm Products Marketing Council, to supervise the national agricultural marketing bodies which are called agencies to identify them from provincial boards.

National Agencies are established when provincial boards approach the National Farm Products Marketing Council with a proposal. Following a request from the Provinces, public hearings are conducted across Canada, and the final marketing plan must be approved by the Federal and Provincial Governments, supervisory bodies, and the appropriate provincial marketing boards. In order to change these plans, all signatories to the plan must agree to the proposed amendments.

There are now three marketing agencies operating under the Farm Products Marketing Council. These are the Canadian Egg Marketing Agency (CEMA), the Canadian Chicken Marketing Agency (CCMA), and the Canadian Turkey Marketing Agency (CTMA), all of which started in the 1970's. These agencies, each with their provincial boards, work to regulate production and coordinate producer prices and movement of poultry products throughout Canada. Each agency has a representative from each provincial board for their commodity. In addition, the Chicken and Egg Agencies have two federal appointees. In other words, the majority of the directors of each of these agencies represent farmers.

For the most part, the agencies are self-governing, but they do not have absolute independence. They are required to consult with a ten to twelve member advisory committee representing sectors affected by their operations, such as processors, wholesalers, retailers, consumers, feed and hatchery industries, etc. These advisors are appointed by the respective agencies and approved by the Farm Products Marketing Council.

Central to the operation of the three national agencies are two factors:

1) The setting of national production quotas and provincial shares.
2) The use of producer cost of production formulae for establishing a national pricing system in the case of CEMA, or for the establishment or negotiation of provincial prices by provincial marketing boards operating under CTMA and CCMA.

In addition to the national agencies, there are two other Canadian organizations for marketing agricultural products; the Canadian Wheat Board and the Canadian Dairy Commission. These differ from the Agencies in that they are Crown corporations that carry out government policy in their respective sectors and the directors of both are appointed by the federal government. The Wheat Board deals mainly with exports, but the objectives of the Dairy Commission are similar to those of the other agencies.

141 Canadian Egg Marketing Plan

The Canadian Egg Marketing Plan was established by a Federal-Provincial Agreement in 1973. The Agreement, with subsequent amendments, outlines the rules and procedures for a comprehensive marketing program for the purpose of regulating egg marketing in Canada. The responsibility for operation of the comprehensive program rests with the Canadian Egg Marketing Agency and the provincial Egg Marketing Boards.

The two principal components of the marketing program concern the price of eggs to producers and the establishment of national, provincial and grower quotas. The price paid to producers is based on a cost of production formula. The more variable cost components are changed monthly or quarterly while the industry structure and performance factors are updated every two years. When market price goes below the price established by CEMA, the Agency removes unsold eggs from the domestic market and sells them for processing or shipment to export markets.

The Canadian Egg Marketing Agency's quota policy is based on the principles outlined in the Federal-Provincial Agreement. Quota means the number of dozens of eggs that an egg producer is

entitled to market in a province or the export trade through national marketing channels, or to have marketed on his behalf by the Agency in interprovincial or export trade during a specified period of time. The base quota system operated by CEMA first provides for the establishment of a total national base quota according to historical production. This quota is divided among the provinces on the basis of the Federal-Provincial Agreement. In addition, there is an over-base quota which is allocated to the provinces by CEMA according to criteria outlined in the Agreement. Each provincial Egg Marketing Board allocates quota to individual producers on the basis of their own regulations.

The main structure of the Agency's quota regulations has not changed significantly since 1973, notwithstanding the fact that the provincial commodity boards have put in place a system of allotting quotas based on hen numbers and other forms of production controls, while CEMA allotments are still expressed in terms of dozens of eggs. For this reason, the Agency and signatories are presently considering changes to the quota regulations.

142 Canadian Chicken Marketing Plan

The Canadian Chicken Marketing Plan was created in 1978, through a Federal-Provincial Agreement, in order to establish a comprehensive chicken marketing program in Canada. The responsibility for operation of the program rests with the Canadian Chicken Marketing Agency and the provincial Chicken Marketing Boards.

The two principal activities of the Agency and provincial boards are operation of the quota system and pricing mechanisms. The base quota was established on a historical basis and is part of the Agreement. Overbase quota is allocated annually to the Provinces according to criteria set out in the Agreement, as follows:

a) any significant change in consumer demand;

b) the ability of any province to meet its allocated production;

c) total market requirement within each market area;
d) the proportion of market demand in a province that is met by production in that province, and
e) comparative advantage in production and marketing of chicken.

Once the Agency allocates quota to a province, it is the responsibility of the marketing board in that province to assign quota to individual producers. A penalty system has been put in place to control producers who over-produce.

Recently, the Agency and the signatories have been giving considerable attention to updating base allocations in the Agreement. The present base allocations are out of date since they were established on average production between 1971 and 1976. This means that the Agency is faced each year with allocating a large overbase quota, which has caused difficulties and resulted in a number of appeals on allocations. Attention is also being given to developing an appropriate overbase allocation policy.

In respect to pricing, the Agency operates differently from the Egg Marketing Agency which directly establishes the price for eggs. In the case of chicken, the Agency, from 1978, used Ontario's cost of production formula on an interim basis as a model for establishing prices for member provinces, pending the development of a national formula. A new formula was approved by the Farm Products Marketing Council in 1982 and this was updated in 1983/84. This is used as a guideline by each marketing board for setting provincial chicken prices.

143 Canadian Turkey Marketing Plan

The Canadian Turkey Marketing Plan was created in 1973, through a Federal-Provincial Agreement, in order to establish a comprehensive turkey marketing program in Canada. The Agency is composed of one representative from each of the provincial marketing boards who serves for a term of one year.

A major responsibility of the Agency is administration of the base and overbase quota system outlined in the agreement. The base quota was established on historical averages of production and overbase quota is allocated according to the following criteria:

a) the principle of comparative advantage of production;
b) variation in the size of market for turkeys;
c) failure by turkey producers in a province to market the number of pounds of turkey meat authorized to be marketed;
d) feasibility of marketing increased production in each province;
e) existing production and storage facilities, and
f) comparative transportation costs to a market area from alternate sources of production.

The agency is presently in the process of updating the base market shares and in addition has developed a proposal for an overbase allocation formula using the above criteria.

Turkey pricing is largely the responsibility of provincial marketing boards, however, Ontario costs of production are used as a guideline as this Province is a major producer of turkey, and some of its produce moves inter-provincially.

Over the past few years, the turkey industry has been rapidly changing. New technology has led many producers to automate their production facilities and a trend to utilize farm-grown feeds on mixed operations has evolved. With these changing trends has come the necessity to develop a more scientific method of determining provincial costs of production. To achieve this the Agency is proposing to establish producer panels as a means of obtaining accurate and timely cost of production data.

144 Canadian Dairy Supply Management System

The production of milk and milk products in Canada is operated under supply management systems at both the national and provincial levels. There are two major milk markets, fluid milk (table milk and fresh cream), and industrial milk and cream (used for processing into dairy products such as butter, cheese, skim

milk powder, ice-cream, yogurt, evaporated milk, etc.). While both of these markets are regulated, they are administered under separate supply management programs.

Fluid milk is managed by each province independently. It is required fresh on a daily basis and therefore the first priority is to fill that market. Unless other arrangements are made between provinces, the fluid milk consumed in a province is produced there and therefore the supply management, pricing, etc. of fluid milk is within each individual provincial jurisdiction. About 35% of all milk production in Canada is for the fluid market.

On the other hand, the industrial milk market is managed on a national basis by the Federal Government in co-operation with the provinces. This is because products made from this milk move between provinces and into international trade, both of which come under federal jurisdiction. About 65% of milk production is used for industrial or manufacturing purposes.

The "Canadian Milk Supply Management Committee" administers the national supply management program for industrial milk under a federal-provincial agreement referred to as the Comprehensive Milk Marketing Plan. The Committee uses a system of Market Sharing Quotas (M.S.Q.) to share the national market among provinces who, in turn, share their provincial allocation among producers. Levies are collected, on a milk basis, from producers to provide funds to cover losses when exporting products not needed in Canada and they also serve as a means of controlling milk production.

A cost of production formula, the Returns Adjustment Formula, is used to calculate a Target Returns level for industrial milk production. Milk producers achieve the Target Returns level through a combination of market returns (negotiated within each province) and a federal subsidy on industrial milk and cream production.

In order to ensure fair returns to producers, the Canadian Dairy Commission administers a dairy support program comprised of an offer-to-purchase program for butter and skim milk powder and

the federal subsidy. The subsidy reduces the cost of dairy products to consumers.

Imports of dairy products are controlled in order to protect the Canadian dairy industry against unfair competition from heavily subsidized imports and to protect the national supply management program for industrial milk.

The Canadian Dairy Commission plays a major role in the administration of the supply management system as far as manufacturing milk is concerned. It is a federal crown corporation established by an Act of Parliament in October 1966. There are three Commissioners appointed by the Governor-in-Council, one of whom is the chairman and another the vice-chairman. The Commissioners are directly responsible to the Federal Minister of Agriculture and the Commission recommends dairy policy to the Government of Canada.

CHAPTER 2

A Review of the Present Structure, Powers and Role of New Brunswick Agricultural Marketing Boards

The marketing of agricultural commodities by producer operated organizations has only developed as a significant factor in the agricultural industry of the province over the past twelve years. Prior to 1972, of the present ten marketing boards only two were in existence. Moreover, the introduction of national supply management marketing plans only commenced in 1974 with establishment of the turkey plan, followed by the egg and chicken plans in 1975 and 1979 respectively. Producer experience with the management of organized and regulated marketing systems has, therefore, only developed over the past decade.

This chapter provides a detailed review of the operation of each marketing board, including historical background, administrative structure, policy objectives, powers and overall management. And particular emphasis has been placed on the controversial issues of pricing and quota management. The review reveals weaknesses and strengths in the design of the marketing plans under which the boards operate and in the management of boards themselves. Measures proposed for strengthening the mode of operation of these organizations and government supervision of their activities under the relevant legislation, are addressed, with recommendations, in both volumes I and II of this report.

2.1 NEW BRUNSWICK APPLE MARKETING BOARD

1. Historical Review

The plan was established in August 1972, under the Natural Products Control Act, with the purpose and intent of establishing a Local Board to promote control and regulate the marketing of apples within the province. The plan operated without major alteration until 1980, when many minor changes were instituted. The Board operates as a company under sub-section 14(1) of the Company's Act with authorities vested in its Directors under sub-section 81(1) of the Act.

The most significant areas the Board my regulate are:

1) The time and place at which, and designate the Agency through which apples may be marketed;
2) The manner, quantity, grade or class of such marketings or prohibit such in whole or in part;
3) Registration with and licensing from the Board of persons commencing or continuing in production or marketing;
4) Fixing and collecting of fees;
5) Seizure, disposal or removal by the Board of regulated product;
6) The duty to collect on behalf of the Local Board;
7) The conduct of pools by the Board for the distribution of monies received from the sales of the product, initial payments, requirement that the product be offered, sold and paid for through the Local Board;
8) Prohibition of any person from selling or packaging the regulated product;
9) The Board may make such orders as it deems necessary to effectively regulate the marketing of the product and to exercise any of the powers invested in the Board.

The plan establishes a Negotiating Agency for apples made up of six members appointed annually, of which three members are appointed by the Local Board and three members are appointed by the Farm Products Marketing Commission. Of the members appointed by the Commission, two are appointed upon recommendation of the Atlantic Fresh Produce Association and one upon the recommendation of retailers. A non-voting Chairman and Secretary are also appointed by the Commission. The function of the Negotiating Agency is to agree upon minimum selling prices for apples sold other than at retail for any class, variety, grade or size and the terms, conditions and forms or agreement related to the marketing of apples and any charges, costs or expenses relating to the production or marketing.

2. Administrative Structure

The plan calls for a Chairman and Vice-chairman drawn from five Directors representing each of five zones. Directors terms are for two years, staggered so as to rotate membership. All producers with a hundred bearing trees or more and/or two acres of land in apple production are regulated by the plan, on a one-man one-vote basis. The Board is administered by a Secretary-Manager. The current administration involves three people. There is a Standing Price Committee of three producers. There is no advisory committee. The Apple Board shares manager and administration with the Greenhouse Products Marketing Board and the Turkey Marketing Board. The Board had six Orders in effect at 1 April 1984, reference Appendix III.

3. Policy Objectives

The policy objectives are to control and regulate the production of apples, so as to stimulate an increase in marketings and maximize the returns of New Brunswick producers of apples. To this end, the Board aims to cooperate with government and other produce boards. The Board has relationships with the New Brunswick Fruit Growers Association, and the Atlantic Fresh Produce Association. It participates in the Apple Committee of the Canadian Horticultural Council, and liaises with other provincial producer marketing boards.

4. Delegated Powers

As indicated, the Board has all the broad powers available to a provincial marketing board with the exceptions of pricing, which is delegated to a Negotiating Committee, which includes wholesalers and retailers. The Board has not found it necessary to use most of the powers with which it has been vested. It has concentrated on its authority to negotiate for producers the establishment of minimum prices and the designation of conditions of sale, to levy for the maintenance of its operations and to participate in apple promotion.

5. Exemptions from the Plan

Legally, all producers with less than 100 bearing trees or 2 acres of production are not regulated, cannot vote and are not subject to levies. In practise, the Board has regulated all those producers who desire to register, even if they are exempted, and all product entering the marketing stream.

6. Financing

The Board is financed by a levy program of 24 cents per bushel on fresh fruit marketed. This is applied by stickers on masters or poly bags. Such levies do not apply to apples sold for juice or processing. Producers who operate U-pick marketing programs are levied $50 per acre. Total revenue, primarily from product levies and licenses, was $91,984 in 1982, and $94,134 in 1983. The Board showed a surplus of $2,860 on operations in 1982 and a loss of $2,347 in 1983. The Board had liquid assets of approximately $38,000 in 1982, and $21,000 in 1983, and total assets of $60,000 in 1982, and $54,000 in 1983. Liabilities totaled approximately $7,000 in 1982, and $3,000 in 1983.

7. Promotion

Most promotion has involved a participating program through the Canadian Horticultural Council. Promotion expenditures totaled $39,406 of which $29,440 was provided by (provincial and federal) government. The Board contributed $9,966. The major expression of the promotion program in New Brunswick was mall displays.

8. Pooling

The Board has carried out freight pooling through transport subsidies to assist wholesalers to retain competitiveness with Quebec production, of shipments to the Quebec North Shore.

9. Pricing

As indicated, pricing is carried on by a Negotiating Agency, which is made up of three producer representatives and three trade representatives. Since there is no provision in the Act

for a Chairman, the Commission has been appointing an independent Chairman without a vote and the Board has been providing the Secretary-Manager to the Agency without a vote. The timing of Agency's meetings is dependent on market developments. The Agency usually meets 6 times per year, most often in August, September, October, January, February and March. The Board publishes the minimum pricing, established on a regular basis. The Board has an inspector who circulates in the market place to verify minimum pricing and the application of levy stickers.

10. Quotas

No quotas are established by the Board. The number of producers in 1983 was 65 during the 81/83 period.

11. Commodity and Market Information

Based on levy collections, 1983 production for fresh purposes approximated 360,000 bushels, compared with about 350,000 in 1982. It is estimated by the Marketing Board that New Brunswick apples, primarily MacIntosh with some Cortland, supply 75% of the New Brunswick market for these varieties with the other 15% supplied by Nova Scotia primarily and Quebec 10%. In effect, New Brunswick apply supply is about 60% of the total market. The other 25% of the market is supplied by Red Delicious and Granny Smith. The major activities of the Board, aside from its primary price negotiation function, aim at orderly marketing and returns maximization. There are:

1. Coordination of storage openings to encourage an even flow of product to the market place, and,
2. The development of cooperative arrangements with the retailers to ensure the rapid marketing of product which is reaching the end of its storage time.

The Board views a major difficulty in the lack of C.A. storage in the province, which is a factor in the absence of required consistency in the quality of products being marketed. The Board intends to introduce measures to encourage the development of controlled atmosphere storage and intends to limit marketing from

common (unrefrigerated) storage after January 1985. In this regard, the industry has become noncompetitive with other Canadian producing areas. It is felt that government assistance in the form of a farm development program (which terminated in 1983) has provided significant encouragement to the industry. Under this program, grants of up to 25% of the cost of facilities improvement and up to 50% of the cost of physical land improvement was provided to individuals. Maximum grants were $25,000 and $30,000 respectively.

2.2 NEW BRUNSWICK CATTLE MARKETING AGENCY

1. Historical Background

The plan was established in October 1983 under the Farm Products Marketing Act. Its purpose and intent is the promotion and regulation of the marketing of cattle within the province. The Board operates as a company under sub-section 14(1) of the Company's Act with authorities vested in its Directors under sub-section 81(1) of the Act. The Agency is in its initial stages of organization. The powers of the Agency include the following:

1) The conduct of studies in connection with production and marketing, and the various uses and by-products of beef;
2) Assistance to producers and processors regarding proper methods of processing and marketing;
3) The conduct of advertising and promotion campaigns;
4) Dissemination of information on quality, quantity, transportation and prices;
5) Work with appropriate agencies and representations regarding the interests of the producers, and toward the establishment of price stabilization programs;
6) The fixing and collecting of license fees from dealers and charges for services rendered by the Agency;
7) Dissemination to persons selling regulated products of information regarding fair market prices;
8) Indemnification and protection of producers against losses in the marketing of beef;
9) Imposition on persons engaged in marketing the duty to collect and remit monies to the Agency;

10) Cooperation with any Canadian or provincial boards to regulate the marketing of beef.

2. Administrative Structure

The plan calls for the election of a Director in each of seven zones and the appointment of a Director by the New Brunswick Milk Marketing Board. Directors' terms are for two years, staggered so as to rotate membership. All producers raising 12 or more cattle are regulated by the plan on a one-man one-vote basis.

3. Policy Objectives

The policy objective is, exclusive of breeding stock, to endeavour to improve, stabilize and provide orderliness in the trading and marketing environment for the buying and selling of beef cattle.

4. Delegated Powers

1) The promotion of beef production;
2) A levying power;
3) Communication and dissemination of information;
4) Authority to negotiate for producers on the establishment of national programs aimed at stabilizing income from beef production.

No orders have yet been passed.

5. Exemptions from the Plan

Legally all producers raising less than 12 head of cattle are exempted from the plan.

6. Financing

The Board is to be financed by the following levy program:

-300 lbs or less	.50 cents/head
-301 lbs - 500 lobs	1.00 dollar/head
-500 + lbs	1.50 dollar/head

Levies are to be collected by dealers and slaughterhouses (which are to be licensed) and remitted to the Agency. The Agency has not yet organized its operations.

7. Promotion

The New Brunswick Agency expects to participate in the national promotion program of beef consumption.

8. Pooling

There is no pooling authority.

9. Pricing

The Agency's authority is limited to providing information on prices.

10. Quotas

There is no quota authority.

11. Commodity and Market Information*

The production of cattle and calves in New Brunswick were estimated at 32,000 and 37,700 head during 1980 and 1981 respectively. Estimated values were $22.8 and $21.6 million respectively. Farm cash receipts from cattle and calves were estimated at $21.0 and $20.0 millions in 1980 and 1981 respectively. The farm value of production has more than doubled in the five years beginning in 1977. Commercial marketings of cattle and calves were valued at about $15.0 million and $17.0 million in 1980 and 1981 respectively. There are two small packing operations under federal inspection and several slaughtering locations.

* Agricultural Statistics, 1982 edition, Province of New Brunswick

2.3 NEW BRUNSWICK CHICKEN MARKETING BOARD

1. Historical Background

The Board was originially established on a regional basis in 1966 and established in its present form in 1974 under the Natural Products Control Act. The Board continued operations in a slightly revised form under the Farm Products Marketing Act, with ammendments to the plan in 1981 and in 1983. The purpose and intent of the marketing plan was the promotion, control and regulation in any and all respects of the marketing of the regulated product. The powers of the Board were, among others, to regulate:

1) The time and place, and the Agency through which, chicken should be marketed;
2) The manner, quantity, quality, grade or class of such marketings;
3) The registration and licensing of producers or marketers;
4) The fixing and collection of license fees or charges and the imposing of duty to collect on behalf of and to remit to the Local Board;
5) The requirements for full information regarding transporting, storing and marketing of chicken;
6) The fixing of prices;
7) The right to seize, remove and dispose of chicken, on reasonable grounds, in violation of an order of the Board;
8) The acquisition, possession and selling of chicken;
9) The making of orders, rules and regulations as being necessary to regulate the marketing of the product effectively.
10) Cooperation with Canadian or provincial Boards, as required.
11) In 1981, specific authority to operate a quota system was added under the provincial Farm Products Marketing Act and in conjunction with the Canadian Chicken Marketing Agency. In general the Board's powers were aligned and coordinated with the National Agency by this amendment.

2. Administrative Structure

The Board is administered by a Board of Directors who elect a Chairman and a Vice-chairman. There are 5 Directors chosen from each of four zones; two represent northern producers and three represent southern producers. As provided for in 1983, producers of over 200 chicken annually who are registered quota holders, and licensed to hold quotas, are eligible to vote. There are currently 38 such producers. The number has varied between 37 and 40 in recent years.

The Board has four employees; a secretary and two inspectors in addition to a manager. Until recently the Board shared a manager with the Apple, Greenhouse Products, and Turkey Boards.

The Board had fourteen orders in effect at 1 April 1984, reference Appendix III.

3. Policy Objectives

The purpose and intent of the marketing plan was defined as the promotion and regulation of the marketing of chicken. The stated policy objectives of the Board are to develop the industry so that individual producers can reach an economic size of operation, which is considered to be 30,000 birds per cycle per production unit, i.e. a one-man operation.

4. Delegated Powers

The delegated powers of the Board cover the whole range of powers necessary for a provincial board participating in the implementation of a supply management system. In collaboration with the Canadian Chicken Marketing Agency, the Local Board operates a quota allocation system, a pricing system (which uses costs of production as a guide), and a levy collection system to cover the cost of both provincial and national operations. The Board has seizure and disposal powers to enforce quotas, pricing and levy.

5. Financing

The operations of the plan are currently financed by a levy of 1.4946 cents per kilogram. This includes 0.28 cents per kilogram, which is the current national levy. With 1984 quota production of 14.7 million kilograms, this would yield $219,700. Of this figure, $41,160 would be paid to the National Agency. In 1982, levies yielded $182,000 compared with $98,000 in 1981. Total assets equalled $52,510 in 1982 compared with $34,647 in 1981. Operations in 1982 produced a surplus of $45,557 compared with a loss of $29,332 in 1981.

6. Promotion

The Board has, over recent years, together with government, participated in promotion programs focusing on mall displays, exhibitions, and newspaper advertising to promote the use of chicken. In the current year, the Board has allocated $8,000 which is 75% of the total cost of the annual program, with the other 25% being provided by the government of New Brunswick under a sub-agreement with the federal government.

7. Pooling

Producers products are sold almost entirely under contract with processors who act as chick and feed suppliers as well. There is no pooling. There is some current discussion regarding the merits of pooling.

8. Pricing

Cost of production formulae provide a basis for the development of chicken prices in the various provinces of Canada, including New Brunswick. These formulae, which include a return to producers above cost, serve as a guide for individual provincial marketing boards in establishing prices. However, it is quite clear that the pricing of chicken in New Brunswick is determined by market conditions rather than producer costs. Since the National Chicken Agency does not operate a complete

management system, including a price support program involving surplus removal, producer costs of production cannot be guaranteed.

The current regulatory system within the province involves government in the cost determining process. The local board has price setting authority. It can take into account all the various determinents of effective pricing, including cost of production, market situation, competitive pressure, industry conditions, etc. The government does not become involved unless the price which is established is appealed. This appeal can be launched by processors, by producers, by members of the public, indeed by the Farm Products Marketing Commission itself (by convening a hearing). In these circumstance, the various parties to a dispute, present their arguments for or against the existing determination of the Local Board. In all these situations, the Commission can face a serious difficulty. It does not possess comprehensive data on the industry which is unbiased at source. Although witnesses can be sworn at a hearing, they can easily plead ignorance. Provincial cost data is compiled by the national agency and determined outside the jurisdiction of the Farm Products Marketing Commission. At any given time, given the policy of lengthy intervals between updated costs of production, the Commission is not in a position to appreciate what the actual costs of production in the province are on a satisfactory scientific basis. The Board can, and has argued, that based on the only data available, established prices are below cost. Whether this is indeed so, is difficult to establish.

Prices for chicken are essentially market determined in Canada, and in New Brunswick. While supply can be limited through the quota system and import controls, given this supply and freely determined demand, producer prices will be determined by the ability of processors to market contracted product at prices favourable to themselves.

The nature of the market place, the requirements of national agreements for open interprovincial borders, the difficulty in the past to ensure effective import controls, the competitive

activity between processors, are all factors beyond the capacity of the Commission to interfere with. While the Commission is the guardian of the public trust in the regulation of the monopoly powers granted the Local Board, its involvement is not necessary if there is no effective monopoly. The provincial system has no effective monopoly power within the national system. Should provincially established prices be too high, processors will begin to reduce contracted supplies and producers will have difficulty meeting their national quota shares. Then, if the Board ignores this situation, there is a role for the Commission. Nevertheless, when confronted by a decision of a Marketing Board which is appealed by external parties in the market place, it is crucial that the Commission know if some quota established is above or below average production costs in the province, and even more important what are New Brunswick costs relative to competitive provinces. It is conceivable that a producer could appeal a board determination on the grounds that it is below cost. However, this might not be sufficient grounds to change a ruling by the Local Board, given its knowledge of the interprovincial situation. But it is certainly imperative for the Commission to know whether, for the average New Brunswick producer, such a charge is true or not.

The whole question of the efficiency and market effectiveness of individual private processors, is very important in the competitive equation. Inefficient processors compared with the competition, or poor business methods on their part, are unfortunately beyond the competence of the Commission to deal with. In such instances, it is even more important for the Commission to know whether established producer prices are appropriate relative to producer prices in other provinces, and given marketing costs, whether competitive inroads are part of the normal competitive struggle between processors. This does not mean that local processors may not be endangered by such a struggle, and that producers do not have a stake in such a struggle, but the conscious political decision to intervene, and/or to ask producers to intervene, properly lies outside the

competence of the Commission in the normal performance of its regulatory mandate. To involve it directly in such matters is to endanger its credibility as a regulatory body. This would risk its involvement unnecessarily each time a firm faces financial difficulty.

9. Quotas

The Board has the authority to establish quotas on the basis of the provincial allocation under the national chicken plan. Producer quotas are established annually and are produced during four production cycles. The 1983 quota allocation to New Brunswick was 14.1055 million kilograms. Of this, 14.083 million kilograms were allocated to individual producers or 99.8% of available quota. Actual production was 14.271 million kilograms, which is 1.3% above allocation and 1.2% above the New Brunswick quota allocation. The quotas actually allocated to producers included re-allocation from individuals who had declared their inability to fulfill the quotas.

Quota administration is an important element of management for a marketing board under a supply management system. Failure to produce relative to quota allocations can lead to losses from provincial shares as new quota is allocated to other provinces. Mechanisms are required which permit inter-producer transfers and which facilitate such exchanges. Exchanges may be of a temporary or permanent character. The Chicken Board has both these powers but currently only re-allocates quota on a temporary basis, which producers agree they will not be using during a production year. Some revision in the quota management programs appears necessary.

Available quota is allocated on a first come-first serve basis from a list of applications for quota maintained by the Board. Those holding quota below 445,500 lbs are given priority, on permanent quota allocations. Then new producers, and finally those over the above figure. Quota transfers of a permanent nature are made only with the sale of facilities and the approval of the Board except for family and partnership transfers.

The Board has a limit on quota allocation of 100,000 birds of quota per cycle or 1,485,000 pounds eviscerated per year.

In recent years, the Chicken Marketing Board has faced a series of problems in regard to quota allocation between northern and southern producers. In spite of a detailed investigation into the fairness of quota distribution in 1981, the dispute was not resolved to the satisfaction of northern producers or the processing plant they supply. In early 1984, the problem escalated seriously to the point that the Chicken Board no longer had credibility to handle the situation and, as a result, a Chicken Industry Task Force was established by the Minister of Agriculture with a mandate to formulate means for rapid resolution of the conflict.

The findings of the task force were submitted on 12 April 1984, and immediate steps were taken to implement the recommendations. This resulted in the following main adjustments to the operation of the Chicken Marketing Board.

1) The nine member Board of Directors was dissolved and replaced by a new five member Board with representatives appointed by the Minister for one term of office. The new representation provides for two members from the northern area and one each from the three southern areas.
2) A Quota Advisory Committee and a Price Advisory Committee were established consisting of four members each appointed by the Ministers for one term of office, with equal representation from northern and southern producers.
3) It was ruled that northern producers should receive fifty percent of total provincial quota as soon as practical, and that this was to be achieved through a 60/40 split of new quota coming to the province in favour of northern producers. In addition, any quota borrowed from other Provinces was to be given to northern producers in an attempt to hasten this objective.

10. Commodity Information

Production of chicken in 1981 was estimated at 23.3 million pounds. Production has varied between 22 and 24 million pounds in the five years beginning in 1977. Per capita consumption of chicken has shown sharply rising trends in recent year. Based on recent data it reached a peak of 39 pounds per capita in 1979. Farm cash receipts from poultry reached 37.9 million dollars in New Brunswick in 1981 and total poultry production reached 23.8 million pounds. Nova Scotia and Quebec chickens compete regularly in the New Brunswick market with Ontario chicken being available occasionally. Conversely, New Brunswick processors supply the Prince Edward Island, Nova Scotia and Quebec markets on a regular basis, Prince Edward Island being the most important market.

2.4 NEW BRUNSWICK CREAM PRODUCERS MARKETING BOARD

1. Historical Background

The New Brunswick Cream Producers Marketing Board was originally established in 1950, under the provisions of the National Products Control Act. A new marketing plan, that was in keeping with that of the Milk Marketing Board, was introduced under the Farm Products Marketing Act in 1981. Cream was defined at that time as any milk which contains not less than 10% milk fat. The purpose and intent of the Plan was to exercise powers delegated by the New Brunswick Dairy Products Commission to promote and regulate the marketing of create and the Board essentially has the same powers as those exercised by the New Brunswick Milk Marketing Board. The Board regulates the sales and distribution of farm separated cream, that is cream obtained by separation at the place where milk is produced.

2. Administrative Structure

The Board is made up of 8 representatives from 4 zones elected every two years on a staggered basis. All licensed producers of farm separated cream are eligible for membership. The organization is semi-dormant although dues are collected. No

promotion activity is carried out. The Board is operated out of N.B. Milk Marketing Board offices. The Cream Board pays the Milk Marketing Board $1,000 annually for these services.

3. Policy Objective

The policy objective is stated in the intent and purpose of the plan.

4. Delegated Powers

All those powers are related to the Milk Marketing Board.

5. Exemptions from the Plan

All persons licensed as producer suppliers under the Dairy Products Act are not regulated by the Plan.

6. Financing

The Board is financed by a levy of 6.6 cents per kilogram of butterfat. Of this, 3.9 cents/kg. is payable to the N.B. Milk Marketing Board to fulfill the producers obligation under the market share quota arrangement for industrial milk. In addition, 2.7 cents/kg. is deducted to cover the costs of Board operation. Total assets were $9,075 in 1981 compared to $11,196 in 1980.

7. Promotion

Promotion activities are carried out through the Dairy Bureau of Canada relative to butter. A portion of the levy is forwarded to the Bureau for this purpose amounting to 0.5 cents/kg. of butterfat.

8. Pooling

No pooling activities are carried out.

9. Pricing

The price is determined with local creameries by the New Brunswick Milk Marketing Board and follows established changes in target prices for market sharing quota (industrial milk).

10. Quotas

Quotas for farm separated cream are allocation by the N.B. Milk Marketing Board from the provincial allocation of M.S.Q. The actual delivery against allocated quotas was 267,770 kg. of cream in 1982-83. The allocation for 1983-84 is 271,949 kg.

11. Commodity and Market Information

Information is available for farm separated cream from the New Brunswick Milk Marketing Board as indicated above. Producers deliver their product to two local dairies, the Carleton Cooperative in Florenceville, and the Baxter Dairy in Sussex.

12. General

The provincial government provides a transportation subsidy on the cost of cream collection. Contributions over the past five years have been as follows:

1979/80	$80,852	1982/83	$74,040
1980/81	$74,315	1983/84	$67,474
1981/82	$84,980		

2.5 THE NEW BRUNSWICK EGG MARKETING BOARD

1. Historical Background

The Board was established under the Natural Products Control Act in 1973. The purpose and intent of the plan was the promotion and regulation of the marketing of eggs in New Brunswick. The Board has the power to regulate:

1) The time, place, and agency by or through which eggs are marketed, the manner in which it is marketed and the quality, quantity, grade or class which may be marketed;
2) The requirement for those commencing and continuing production or marketing of eggs to register and obtain licenses;
3) The fixing and collection of license fees or charges for services;
4) The supply of information related to the production, packaging, transporting, storing and marketing of eggs;
5) The fixing of prices at which the eggs may be bought or sold;

6) The authority for seizure or removal and disposal of eggs, on reasonable grounds, where eggs are transported, kept, packed or marketed in violation of an order of the Agency;
7) The imposition on persons engaged in marketing of the duty to collect and remit to the Local Board amounts due.
8) To acquire, possess, or sell eggs.
9) The authorization to cooperate with any Canadian or provincial boards to regulate the marketing of eggs and to make orders, rules and regulations necessary to exercise any power vested in the Board;
10) The Board is expressly authorized to establish a quota system to regulate the number of eggs producers could produce in relation to the provincial share of the national quota. The Board was expressly authorized to collect on behalf of the national agency levies imposed by that agency.

The plan was amended in 1975 under the Farm Products Marketing Act, to establish a quota system based on hens and in 1978 to reduce the number of areas electing a representative and thus the size of the board.

2. Administrative Structure

The Board is made up of seven members, one from each district and two elected at large. District members are elected for three-year terms on a staggered basis. Directors at large are elected annually. All quota holders are eligible to vote. The Board has three employees, including a Manager. The Chairman, Vice-chairman and Manager (who is not a Board member) make up the Executive. There were 27 eligible producers in 1984. There were 29, 30 and 33 producers in the 1981/83 period respectively. The Board had six orders in effect as at 1 April 1984, reference Appendix III.

3. Policy Objective

The Board objective is to maximize producers returns through the achievement of cost of production plus a reasonable return and by maximizing quota allocations to producers in New Brunswick.

4. Delegated Powers

The Board has all the powers required to operate a supply management system, including pricing, quota management, pooling, and market regulation. The Board uses the powers which it has been delegated to participate in the operation of a national supply management system administered by the Canadian Egg Marketing Agency. The Board carries out transport pooling within the province and uses provincial levies to supplement C.E.M.A. payments for grading, dyeing, and so on.

5. Exemptions from the Plan

Producers with a 199 layers or less are exempted from the plan as are owners of hatching flocks for layers or broilers.

6. Financing

The Board is financed by a 2 cents per dozen levy. The current levy is 9.3 cents per dozen, of which 7.3 cents per dozen is forwarded to the national agency. In addition, financial resources are supplemented by interest income from reserves. In addition to administration costs, the Board pays 15 cents per dozen for grading, dyeing and storage of surplus eggs for which it is reimbursed only 11 cents per dozen by the national agency.

The volume of sales through the Board were 8.4, 8.6 and 9.4 million dozens during the 1981-1983 period respectively. Board operating revenue was $702,000 in 1983 compared with $674,000 in 1982. Net assets in 1982 were about $26,000 compared with $28,000 in 1981. The Board carries out levy collection activities through the sale of stamps which are affixed to wholesale and retail egg containers. While other maritime provinces once used stamp systems, they have now been eliminated outside of New Brunswick. While stamps facilitate retail controls, they create operating costs which can be substantial. Most other provinces use auditing systems to ensure satisfactory collection of levies. This approach is currently under consideration by the Board.

7. Promotion

The provincial board makes no direct promotion expenditures.

8. Pooling

The Board operates a system of pooling for transportation of eggs within the province in order to equalize the cost of distribution among egg shippers. It also uses levies to supplement funds payable to shippers handling surplus eggs within the New Brunswick market.

9. Pricing

Egg pricing in New Brunswick is established based on a national egg pricing system founded on a cost of production study carried out every two years. Producer prices have varied over the last three years from a minimum of 97 cents per dozen to a maximum of $1.12 per dozen. It is a measure of the viability of egg prices based on cost changes that these extremes have occurred between December 6th, 1982, and November 21st, 1983, when considering the last three years. While the producer price is based in the national agency system, the provincial board uses this base to determine spot and carton prices and selling prices to retailers and wholesalers by producers.

The producer price is based on a national study of flocks of 10,000 to 15,000 birds performed by independent consultants. Provincially, direct costs are determined. A national average of provincially based costs is determined. To these factors are added depreciation, overhead and producer return of capital and allowance for sizes other than Grade A Large to arrive at a national average. This national average price is adjusted back to a price in Manitoba which has traditionally been the source of egg shipments in Canada. From this base in Manitoba, the costs of freight and handling are calculated to permit the shipment of product from Manitoba to any province. After allowance for a system of provincial adjustments in Nova Scotia and New Brunswick, in Manitoba and in Saskatchewan, a producer price is

determined. Direct producer cost plus transport cost with an allowance for returns on capital, is the actual basis of price determination. It is supported by a surplus removal system for any part which remains unsold at established prices. The national agency effectively determines producer prices throughout Canada.

The action of the Local Board in establishing pricing margins beyond the farm gate is based on no visible cost determination mechanism except tradition. These margins are sensitive to competition from shippers in adjoining provinces. The establishment of such margins are vulnerable in the public forum, and are tenable only so long as they are not challenged. The Board has in the past used its stamp system as a mechanism for discouraging the sale of external product in New Brunswick. Such levies, effectively internal tariffs, have been criticized, and their use in this way has been suspended. The Commission should avoid being put in a position of underwriting the establishment and maintenance of what are in effect processors' margins, which should be subject to competition.

10. Quotas

The quota system is tied in with the national quota allocation system. Quota are allocated to producers in terms of hen numbers. These quotas are based on production at the rate of 20 dozens annually. The Board has a policy of not allocating quota in excess of 25,000 birds. Quota is exchanged freely between producers, but such exchanges must be approved by the Board. It is estimated that recent quota egg sales have taken place at a cost between $11 and $12 per bird.

The Board has also approved a quota rental policy under its supervision. Rental quota is allocated for 12 months at a time upon permission of the Board and must be renewed annually. All rental payments are made through the Board, and the present rate is 60 cents/bird annually.

11. Commodity and Market Information

Available information indicates that 1982 production of eggs was 9.9 million dozens to a value of 10.5 million dollars. Farm cash receipts of eggs alone were 10.3 million dollars in 1981. New Brunswick producers supply approximately 85% of total New Brunswick needs, with supplies from Nova Scotia meeting 10% of needs and another 5% supplied from Ontario and Quebec. Some occasional shipments of eggs in the form of supplementary quotas arrive from Maine.

12. General

The Board is a major operating institution in New Brunswick. In addition to administering the provincial egg program, it represents the interests of producers within the national system. It has been engaged in defending cost of production pricing at public hearings. It instituted a quality control program in conjunction with Agriculture Canada. It has implemented a production reporting system for statistical publication by Agriculture Canada. It deals with quota disputes. It maintains the egg plant regulations in accordance with legal recommendations and it participates in the promotion of egg consumption in New Brunswick.

New Brunswick has benefited in the past from exemptions from quota cuts within the federal-provincial agreement. It must participate in a re-examination of this policy and in addition develop a program to deal with over-quota producers, a revised system of pricing within New Brunswick, and a need to change its method of levy collection. The Board will be seeking information on the details of the cost of production within the province, and confronting the dangers to its marketing system.

2.6 NEW BRUNSWICK GREENHOUSE PRODUCTS MARKETING BOARD

1. Historical Background

The Board was established in 1974 in four areas and was expanded in January 1980 to five areas, with the addition of Carleton, Victoria, and Madawaska as Area five, and the addition of Gloucester and Restigouche to Area four. Although originally organized under the Natural Products Control Act, it currently operates under the Farm Products Marketing Act. The powers of the Board included authority to regulate:

1) The time and place at which, and to designate the Agency by or to which, the regulated product will be marketed and the manner in which it may be marketed;
2) The quantity, quality, grade or class of products that my be marketed, and to prohibit such marketing except through the Board;
3) The requirement that personnel engaged in production or marketing of regulated product register and obtain licenses and to fix and collect these license fees or charges for services rendered;
4) The fixing of price or prices at which the regulated product may be sold in the province;
5) The provision for search of vehicles, to seize, remove and dispose of regulated product, on reasonable grounds, which are transported, packed, stored or marketed in violation of an order of the Board;
6) The imposition of duty to collect fees on behalf of the Board, and to remit such fees, to make such orders as deemed necessary by the Local Board to carry out the plan, and effectively regulate the marketing of the regulated product, and to cooperate with any Canadian or provincial boards for such purposes.

2. Administrative Structure

There are five Directors from each of five zones elected for two year terms on a staggered basis. The Board employs three people: A Manager, a secretary and an inspector on a part-time

basis. The Board had five Orders in effect at 1 April 1984, reference Appendix III.

3. Policy Objectives

The Board aims to encourage industry stability and maximize New Brunswick producer returns.

4. Delegated Powers

The Board has the broad range of authorities of a full marketing board, but limits its legal activity to the establishment of minimum prices. It acts to coordinate producers' supplies to the market place and to liaise with retailers.

5. Exemptions from the Plan

Producers of green house products with 150 square feet under glass or less, who do not advertise or market directly form their green house, are exempted form the plan. It is expected there will be 98 producers in the plan in 1984. This compares with 98, 116 and 106 in the 1983, 1982 and 1981 years respectively.

6. Financing

The operations of the Board are financed by a levy of 3.75 cents per pack. This levy includes the cost of a stake which individual producers use to identify the products with the Board logo and provides an assurance to the Board inspector that levies have been paid for the product in question. In addition, the Board has received grants for promotion of $6,000 in 1982, and $15,000 in 1983. The Board also receives an annual grant of $1,500 to finance operations of a producers association. The budget of the Board over the last 3 years has increased from $26,500 to $30,400 to about $53,000 in 1983.

7. Promotion

This activity is carried out primarily using monies available from provincial and federal governments under Agricultural

sub-agreements whereby producers groups have been paying increasing shares of established promotion programs. Currently the agreement calls for the Board to pay 80% of any promotional activity expenditures. A multi-media approach has been used in the past.

8. Pooling

No pooling activities are carried out.

9. Pricing

Minimum prices are established by the Board on a judgmental basis taking into account consumer reaction as expressed by market conditions the previous year and take into account increased costs of operation. Proposals are discussed in each of five area meetings with the objective of achieving a general consensus on pricing.

10. Quotas

No quota allocations are carried out.

11. Commodity and Market Information

The Board attempts to meet the local market for bedding plants. Numerous efforts to establish a greenhouse industry for Winter vegetables have not been successful. There are currently three projects being operated by New Brunswick Power to produce Winter vegetables, but the costs of fuel and energy, given the weather in New Brunswick, appear to have made them uneconomical. Such efforts have in the past led to an influx of producers producing additional supplies of ornamental and bedding plants for Summer use by consumers. In 1983, 1982 and 1981, 800,000, 750,000, 700,000 packs were planted respectively. It is anticipated that up to one million packs will be planted in 1984. New Brunswick producers have been seeking to recapture the New Brunswick market for local suppliers. Before the effective organization of the Board in January, 1980, local suppliers met approximately 50% of the market. They now supply about 90% of

the market, with 5% supplied by Nova Scotia, and the balance shared by Ontario and Quebec. Originally, a major portion of the market was supplied by leftovers from the earlier Ontario production.

The Board is anxious about government efforts to generate employment through the establishment of subsidized greenhouse operations and would like to function as an Advisory Board regarding the prospects of such projects. The Board is also considering the possibility of developing a quota system to protect the industry from uncontrolled new entry.

2.7 NEW BRUNSWICK TURKEY MARKETING BOARD

1. Historical Background

The Board was established in 1974 and is operated with a plan which is relatively unchanged, as part of the national marketing system. The purpose and intent of the plan is for the promotion and regulation of the marketing of turkey. Powers of the Board include the authority to regulate the manner of such marketing:

1) The time and place at which, and to designate the Agency by or through which, the regulated product shall be marketed, and to regulate the manner of such marketing:
2) The quantity and quality, grade or class that may be marketed;
3) The registration and licensing of persons in the production and marketing of the regulated product, to fix and collect periodic license fees or charges, and to impose the duty to collect on behalf of, and remit to, the local board of such fees or charges;
4) The provision of full information regarding the production, transportation, packing and storing of the regulated product;
5) The fixing of prices at which the regulated product can be bought or sold;
6) The search of a vehicle, the seizure, removal or disposal of regulated product on reasonable grounds of regulated product kept, transported, packed or stored or marketed in violation of an order of the Board;

7) The requirement for full information related to the production, transportation, packing and storing and marketing of the regulated product;
8) The acquisition, possession and sale of the regulated product;
9) The establishment of such orders, rules, regulations that are deemed necessary by the Local Board to carry out the plan and effectively regulate the marketing of the regulated product;
10) In addition, the Board was specifically authorized to implement a quota system in conjunction with a national quota system for turkey. New Brunswick was initially allocated 1,440,000 pounds of national quota.

2. Administrative Structure

The Board of Directors is made up of five members, elected at large for terms of three years, on a staggered basis, by licensed quota holders. There are ten quota holders in the province, and this has been so over recent years. The Board shares with the Apple and Greenhouse Products Board a Manager and two other staff. The Board had nine Orders in effect at April 1, 1984, reference Appendix III.

3. Policy Objective

The stated policy objective is to maximize production and returns for New Brunswick producers and to seek the expansion of New Brunswick share of the national quota.

4. Delegated Powers

The Board has all the authorities to run a full fledged marketing board operation, and is using most of its powers as indicated by an earlier section.

5. Exemption from the Plan

By policy, the Board has exempted producers of 25 turkeys or less. The Board also licenses turkey hatcheries, processors and vendors.

6. Financing

The operations of the Board are financed by a levy of 1.15 cents per pound. This levy provides the funds to pay for a national levy of 0.35 cents per pound. Producer levies have provided $42,253 of a total revenue of $44,819 in 1982. This compares with producers levies of $33,536 in 1981. The Board's operations show a loss of $684 in 1982 and $1,464 in 1981. Net assets of the Board were about $3,800 at the end of 1982, compared with $4,400 at the end of 1981. The Board receives an annual subsidy of $1,500 to operate a producer association.

7. Promotion

Promotion has been taking place with the assistance of provincial and federal government. Some $13,000 was spent on promotion in 1982, almost entirely from government funds, which was contributed toward the operation of promotion programs for the New Brunswick grown products. The funds were available from the Agricultural Sub-Agreement II.

8. Pooling

The Board does not engage in pooling activity as individual producers contract the output of their operations directly with the two major processors of the province, Nadeau Poultry in the North, and Sussex in the South.

9. Pricing

The Board endeavors to use cost of production indicators for turkey pricing, but it is evident that established turkey prices are not relevant to the cost of production model, which is established on a national basis and provides a format for individual provincial pricing derived from its provincial cost component. Since there is no mechanism for product disposal, prices which are unsatisfactory to the processor can result in a reduction in the amount of product which processors are willing

to buy. This could have the effect of reducing the ability of provincial producers to actually produce the quota allocated to them by the national agency. Effectively, the producer Board must develop a price which is acceptable to the producers or reduce the production which will be offered in outlets with provincial processors. Another alternative facing producers is to market their product outside the province, if buyers can be found at a price which is not controlled by the provincial board. The Board has been facing a refusal on the part of processors to purchase all product available under quota.

10. Quotas

In earlier years, quota varied between 2.4 and 3.2 million pounds, while production was limited to between 2.0 and 2.4 million pounds. Production has been steadily above 2.2 million pounds since 1980, reaching a peak of 2.7 million pounds and 89% of issued quota (3.2 million pounds) in 1982. However, the quota was reduced very sharply, to 1.2 million pounds in 1983, and even this low quantity had difficulty finding a market at established prices. It was increased to 2.7 million pounds in 1984. It is estimated that New Brunswick producers have been marketing only 60% of retail demand and nothing to the hotel and restaurant trade, which makes about half the market.

The Board has been faced with continuous over-quota production, particularly in recent years. A free exchange of quota is permitted. There has been no exchange occurring since 1980. The maximum quota permissible under the plan, at this time, is 500,000 pounds per year.

11. Commodity and Market Information

It is estimated that the annual production of turkeys is valued at about 7 million dollars. Per capita consumption on a national basis is about 9.25 pounds, and it is estimated that consumption in New Brunswick is about one pound higher. The portion of the market which is not serviced by New Brunswick producers is supplied by Ontario and Quebec on a 75/25 ratio. It

was estimated in 1981 that some 85,700 turkeys were present in the province. Production in 1981 was estimated at 2.5 million pounds.

12. General

The Board is seeking to make producers more independent form the processors. The major buyers currently are Sussex and Nadeau Poultry, but there are two processors in Nova Scotia and one in Quebec which are accepting New Brunswick production. An analysis of the industry has indicated that the cost of input in New Brunswick is not economically competitive with that in other provinces. Average sized operations of about 200,000 pounds eviscerated are smaller than in the rest of Canada, 442,000 pounds are eviscerated. The Board is seeking to develop a greater degree of competitiveness through price pooling and first receivership inputs. The capacity of the Board to deal effectively with processors, given the limited nature of the supply management system for turkey, is circumscribed.

2.8 NEW BRUNSWICK MILK MARKETING BOARD

1. Historical Background

The Board was established in 1973 and commenced marketing activities in July, 1974. It began with the marketing of milk from ten counties and expanded to the North to include Victoria and Madawaska in November, 1974. The Board took jurisdiction over the whole of New Brunswick with the inclusion of Northumberland and Gloucester counties in January 1975 and Restigouche county in November 1975.

The purpose and intent of the marketing plan was to establish a local board to exercise powers to be delegated under the Dairy Products Act for the promotion, control and regulation of milk marketing within the province. The Board draws its authority from the Dairy Products Commission through Order #646 and subsequent amendments. The Board has the authority to regulate:

1) The quantity, grade and class of milk production;
2) The purchase, transportation, handling, conversion, preparation, storage, delivery, sale and distribution of

unprocessed milk, as well as the care and collection of milk and cream containers;

3) The fixing of rates and collection of charges for services rendered;
4) The designation of the proportion of milk and cream which shall be paid at each price or milk dealers according to the varied use thereof;
5) The imposition on persons handling milk of the duty to collect and remit monies on behalf of the Board;
6) The provision of payment to producers of milk and cream shall only be through the Board, which is empowered to acquire, possess, purchase and sell the regulated product.
7) The conduction of a pool for the distribution of monies received from the sale of milk and cream and after deduction all expenses, to distribute the remainder of the money so that the payment to each person entitled to share is based on the amount, class, variety and grade of the milk and cream and subsequent payments until the remainder of money is received from the sales and distribution;
8) The cooperation with a marketing board or marketing agency in Canada or any province in Canada for the purpose of marketing milk. The Board is authorized under the authority of the Farm Products Marketing Act to fix and impose levies or charges from persons engaged in the production of marketing of milk within the province;
9) The passing of such orders and rules as are necessary to use, fund, appoint officers, borrow, require, possess, purchase and sell milk and cream, in order to implement the marketing plan;
10) The purchase of milk and cream on a quota basis.

Effective in June, 1978, the authorities of the Milk Board were extended from the Farm Products Boards and Marketing Agencies Act authorizing the Milk Marketing Board to fix, impose and collect levies from persons engaged in the production or marketing of the regulated product, and, as a Local Board under this legislation, to have all the powers vested in a company under Sub-section 14 (1) of the Companies Act.

2. Administrative Structure

The Marketing Board is governed by a Board of Directors Of 10, with one representative from each of the seven zones, except Moncton, Sussex, and Fredericton's zones, each of which has a second representative. The Chairman is elected from among the Directors. All registered producers or designated representatives are permitted to vote. The Board has 34 employees organized as shown in Figure 2, made up of administration, finance, transportation and industrial relation areas. The Chairman of the Board, who also acts as Managing Director, is responsible for the day to day operation of affairs. The assistant corporate secretary is responsible for the day to day operations of the affairs of the New Brunswick Cream Producers Marketing Board. The office staff consists of one office supervisor, six clerical staff, one field man, one field technician and one promotion officer in addition to the Directors of finance, promotion and transportation. The transportation staff consists of one transportation supervisor, one mechanic, 15 drivers and two part-time drivers.

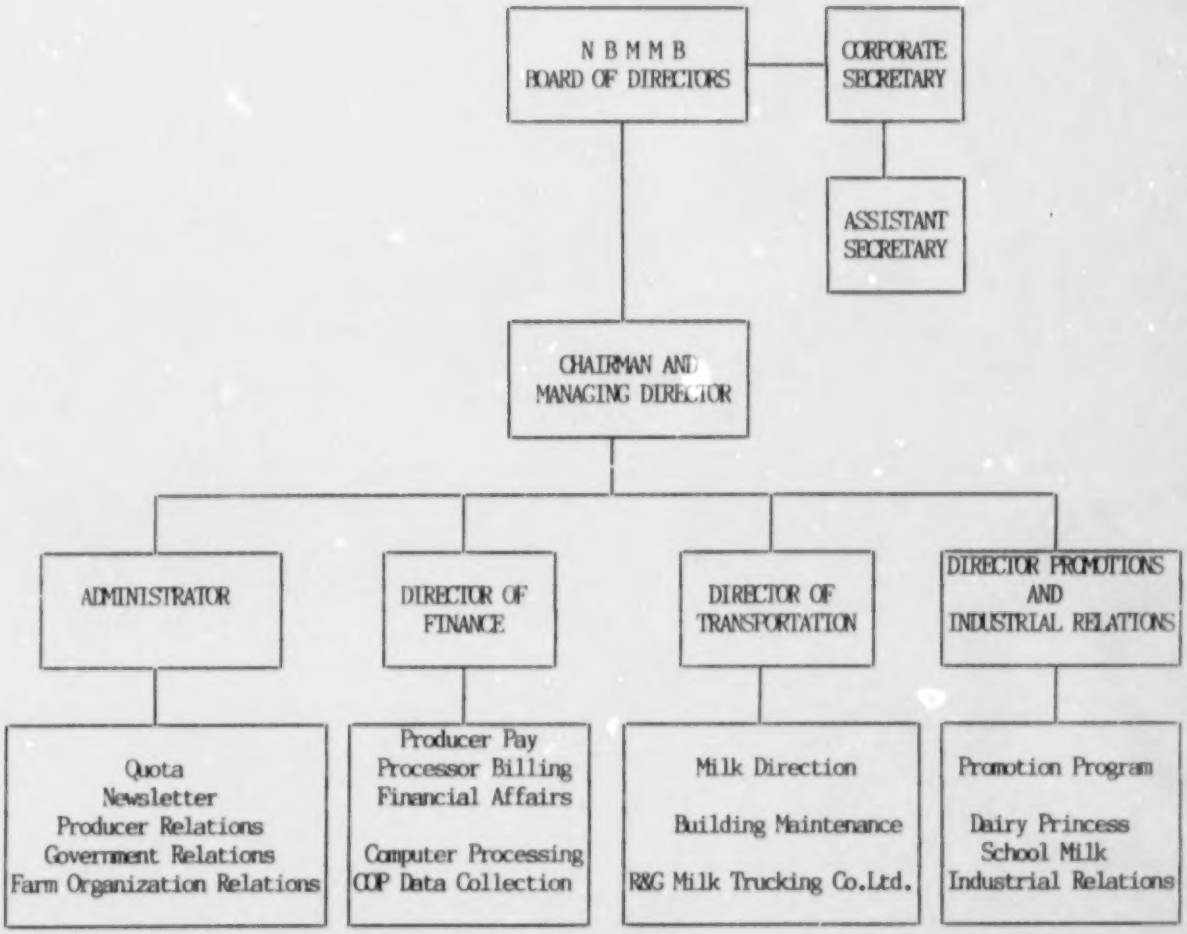
The Board has seven committees covering the following subject areas: Transportation, Finance, Farmer Services, Priorities, Promotion, Scholarships and Personnel. In addition the Board has representatives on the following committees and organizations:

- Dairy Farmers of Canada
- Milk Supply Management Committee of the Canadian Dairy
- Commission
- Dairy Bureau of Canada
- Maritime Milk Pool
- Federal/Provincial Manpower Committee
- N.B. Milk Foundation
- N.B. Federation of Agriculture
- N.B. Dairy Farmers Association
- N.B. Artificial Insemination Cooperative
- N.B. Cattle Marketing Board

The Board had four Orders in effect at April 1, 1984, reference Appendix III.

FIGURE 2

NEW BRUNSWICK MILK MARKETING BOARD ORGANIZATION CHART



3. Policy Objective

The Board develops policy objectives by area of operations. For 1983-84 the following objectives have been identified:

1) Implementation by government of a program to ensure quality milk products at the retail level;
2) The development of an expanded and improved producer communication effort;
3) The development of a quality payment scheme at producer level;
4) Maintained promotion funding adjusted for inflation.

4. Delegated Powers

The Board has been delegated most of the the powers required to operate a supply management marketing board, although it does not have the price setting authority which resides with the Dairy Products Commission. Nor does it have seizure and disposal, which might be required to deal with producers who challenge the plan. Government authorities would have to be directly involved in confronting such a challenge. The Board would be limited to court action.

5. Exemptions from the Plan

Producers who process their own milk into butter, cheese and yogurt, as well as producers of farm separated cream and produces who do not sell or market their product are exempted from the plan.

6. Financing

Financing of the milk board varies with time. Levies can fluctuate and in 1983 have varied between $2.12 to $2.48 per hectolitre. The total receipts during 1983 for the Board's operation were $325,000 compared with $276,000 in 1982. Total income for 1983 was $1,253,000 compared with $1,149,000 in 1982. The excess of income over expenses was $253,000 compared with $244,000 in 1982. Retained income at the end of the year, however, amounted only to $465,000 compared with $430,000 the

year earlier (as a result of a loss of $230,000 on the trucking operation). The Board's capital deficiency has decreased from $1,689,000 at the beginning of 1982 to $608,000 at the end of 1983. In addition to levies collected for operation of the Milk Marketing Board, the Board collected $3,230,000 in 1983 as market sharing quota levies payable to the Canadian Dairy Commission, including $240,994 in over quota levy. Market share quota levies in 1982 were $1,720,000.

Pool operations for the year ending June 1983, involved the purchase and sale of 123,572,000 litres of milk compared with 120,061,000 litres in 1982, an increase of 3%. The value of sales was $50.8 million, an increase of 8%.

7. Promotion

The collection of levies for promotion in the year ending 1983 totaled $589,000 compared with $343,000 the previous year. Collections from pool milk for promotion purposes were 50.0 cents per hectolitre beginning January 1984, up about 2 cents from the previous year. Disbursements to the Dairy Bureau of Canada for national promotion were 45.3 cents per hectolitre of market sharing quota shipments, and $127,000 for fluid promotion.

8. Pooling

Milk production is operated as a single pool for all producers in which are included the proceeds from sales of all fluid milk regardless of class. All expenses relative to the marketing and the promotion of such production are deducted from the pool. For payment of producer returns, such expenses include the operation of a transport company which is the property of the Marketing Board. The operations of the Cream Producers Marketing Board is separately provided for.

9. Pricing

The pricing of milk has evolved into a highly complex system based on ultimate usage. Milk is divided into two major categories: fluid and industrial milk. Fluid milk is that

product which is used for milk in liquid form, consumed as milk of various kinds, whole (3.25% butterfat), 2% (2% butterfat) and skim (fractional butterfat up to 0.25%). This category of milk includes all the flavoured milks as well. These forms of milk are identified by the terminology Class 1 fluid.

Fluid cream, including cereal, table and whipping, is identified by the terminology Class 2. The pricing of these classes of milk is based on cost of production models used by Milk Marketing Boards across the country and in New Brunswick as well as in other provinces. These formulae, which often include other factors besides costs, provide a basis for pricing of the basic fluid milk product, which is the major volume item produced by the industry (58% in 1983 in New Brunswick). Traditionally, these pricing models are the basis of representation by Milk Marketing Boards to a regulatory body which makes the final decision with regard to established prices at the farm gate level. In New Brunswick, these representations are made by the Milk Marketing Board to the Dairy Products Commission. As in other national marketing boards systems, the development of data for these pricing activities, particularly industrial milk, has fallen into national agency hands. Actual calculations for local costs are made by the New Brunswick Department of Agriculture and information is forwarded to the Canadian Dairy Commission through which a national and provincial picture emerges. In New Brunswick, the minimum producer price for Class 1 and Class 2 milk is set by the Dairy Products Commission on representations from the Milk Marketing Board. Although wholesale and retail prices were once set by the Dairy Products Commission as well, these are now determined among milk dealers in New Brunswick.

The balance of milk classes, Class 3-Ice cream; Class 4-Specialty cheese; Class 5-Cheddar cheese; Class 6-Butter and skim milk products, have been developed from a basic price established by negotiation between the Milk Marketing Board and milk dealers. Price adjustments from the established base have been taking place automatically as a result of price adjustments made by the Canadian Dairy Commission of its announced target return prices,

and support prices for butter and skim mild powder. The base prices were established in 1974, and have been renegotiated three time.

Milk quotas are established by the Milk Marketing Board for each producer to ensure that adequate milk is available to meet the market demand. This program inevitably generates milk surpluses for Class 1 and Class 2 uses. The quantity of surplus milk produced by each province is limited by a federal/provincial agreement between the Canadian Dairy Commission and individual provincial marketing boards. This agreed upon surplus makes up New Brunswick's share of national market share quota (M.S.Q.). This results from the responsibility which the Canadian Dairy Commission has accepted for the disposal of surplus product at specified support prices for butter and skim milk. Surplus milk production in excess of provincial quotas, results in heavy penalty levies to finance the export disposal of surplus milk. Current levies for overquota production are 31.79 per hectolitre of milk ($8.831/kg of butterfat), effective August 1983. Pricing of milk products is highly regulated, not only provincially, but nationally. However, the pricing of milk for industrial usage within the industrial system is not currently subject to review by any government agency in New Brunswick, although it is related to established target return prices generated by the federal agency.

Some dealers have questioned the absence of a pricing review for milk for industrial purposes. Dairies order milk from the Milk Marketing Board and declare at the end of each month milk use by Class of ultimate product, and pay the Board according to their utilization. The Dairy Product Commission conducts audits of the dairies to ensure that the utilization and payments are correct. Changes by the Canadian Dairy Commission in target return prices for the various classes of industrial milk results in automatic changes in prices.

The most recently published milk prices, by product use, are given in Table 2. These data show that , insofar as raw product prices are concerned, New Brunswick milk processors are

well placed to compete with the products of processors in Ontario. Shipments of products processed in Ontario would have to take into account not only transportation, but a higher base cost for raw product used in the manufacturing of industrial milk by-products.

The whole question of milk pricing, and its basis, turns on a variety of questions regarding data and industry organization. This is discussed more fully under Chapter 3.

TABLE 2

MILK PRICES BY ULTIMATE USE, IN NEW BRUNSWICK AND ONTARIO

Class	New Brunswick	Ontario
	- $ per hectolitre -	
1	$48.30	$49.48*
2	45.70	48.48
3	37.74	40.59
4	--	40.25**
5	35.43***	36.85****
6	33.16	36.85

Source: Dairy Marketing Report, Markets Information Branch, Agriculture Canada, Volume 59, no.4, February 23rd, 1984, pp. 24 and 25.

* Southern Ontario, Northern Ontario price $50.77

** Actually subdivided in 3 classes, A $38.77, B $38.77, C $40.25

*** Revised from $35.15

**** Includes a sub class A $37.28

10. Quotas

The New Brunswick Milk Marketing Board grants duly licensed producers milk production quotas identified as fluid milk quota (F.M.Q.) and market share quota (M.S.Q.). These quotas, which are granted in physical terms, may be adjusted on an equal percentage basis to meet market requirements, relative to the F.M.Q., or to reflect changes in national domestic requirements

and to balance New Brunswick shares of national M.S.Q. by methods which the Marketing Board may determine. F.M.Q. is allocated in liters per day and M.S.Q. in liters per year. For M.S.Q. the dairy year is divided into four quarters commencing August 1st, of each year. Unused M.S.Q. from one quarter may be carried forward to a subsequent quarter. Producers whose production is too small to provide for satisfactory cooling, sampling and measurement, may be required to dispose of M.S.Q.

When a producer's daily production for each of two consecutive months is below 100% of the allotted M.S.Q., the M.S.Q. can be reduced by the amount the daily average production is below that level, unless the producer voluntarily holds his milk for quality reasons.

A producer is required to market at least 90% of the M.S.Q. available for his use in a dairy year. If a producer markets less than this amount, his M.S.Q. for the following dairy year will be reduced to a 111.1% of his M.S.Q. deliveries. The amount of quota reduction can be solved at the next quota exchange following notice of reduction. This reduction does not occur if a producer voluntarily holds back milk from all markets for quality reasons.

Any sales or any purchases of quota must be made through the quota exchange, except for family transfers, transfers involving sale of an on-going operation to a partnership or corporation, and transfers with 100% of the milk herd.

Sales of fluid milk quota are subject to a 15% transfer assessment tax. All used or unused market share quota is subject to a 25% transfer assessment tax, except those involving immediate family, transfers of on-going farm operations and transfers to a partnership or a corporation. The minimum quota sale is 8 liters of F.M.Q. and 2250 liters of M.S.Q. or the total allotment if the allotment is less than the minimum. A producer ceasing to supply milk can offer quota on the next three exchanges. Minimum purchases of quota are 10 liters of M.S.Q. and 3,000 liters of F.M.Q. Only producers who have less than 90% of their within-quota milk production as F.M.Q. are eligible to

purchase new F.M.Q. and can purchase such F.M.Q. to bring their allotment to 90%.

There are three exchanges, one for F.M.Q., one for unused M.S.Q. and one for used M.S.Q. Offers and purchase bids must be made in accordance with specific regulation and new suppliers must meet specified requirements established by the Milk Marketing Board, including approved farm premises, bulk milk tanks, etc.

The quota exchange program was designed to act as a mechanism for the orderly exchange of quota between producers. It was aimed at assuring each producer, regardless of location within the province, equal access to buyers or sellers of quota, and maximum use of available quota in New Brunswick. The Board initially issued a newsletter, but this did not work satisfactorily. A public auction approach drove the price of quota to unprecedented levels. The exchange is designed to ensure that the supply/demand principal will permit the quota to trade for as low a price as possible. In response to complaints of area milk producers, involving the difficulty of finding buyers and sellers, and concerns expressed by federal and provincial authorities that quota values were too high, the quota exchange system was initiated. Discussed with all local area committees at an annual meeting, the proposed system was presented at meetings of all committees. The proposal was again discussed at annual meetings of all area milk committees and received overwhelming support. The policy was finally approved at the marketing board annual meeting and sent out for final local review. A detailed paper on the operation of the exchange was distributed after reviewing reports from milk committees in January 1983. The exchange was implemented in May 1st, 1983, and first operated on June 2nd, 1983. The Board expects to review the system after one year of operation, that is in June 1984.

Under the system, offers and bids are submitted for exchange operation on the first day of each month. Bids and offers are accepted until midnight on the first day of each month. Offers and bids are made by telex or letter. If the quantity bid for is

greater than offers, producers will receive quota on a pro rata basis. If the quantity offered exceeds available bides at estabished price, the Board has engaged to purchase and hold the extra quota until following exchanges. The Board has established a requirement that Board approval would be required before producers could purchase quota in excess of 3,000 liters of production per day of M.S.Q. or an M.S.Q. and F.M.Q. combination. And as indicated earlier, purchasers who have 90% or more of their quota in the form of F.M.Q. will not be eligible to apply for additional quota. The transfer assessment for quota exchange have already been indicated.

The existing quota exchange program has aroused controversy as a consequence of the acquisition of quota by the Board at a higher price than that which such quota was subsequently sold by the Board. The Board has experienced a loss on sales of F.M.Q. of approximately $60,000 on quota acquired to date. It seems reasonable to believe that over a period of time gains will balance losses. The Board feels that the acquisition of unsold quota is required to facilitate the exchange process. In addition, it appears that there is not sufficient F.M.Q. offered on a monthly basis to sustain a satisfactory program. The Board will be considering quarterly sales of F.M.Q.

There is another quota issue which relates to the allocation of raw milk products to dairies, particularly for industrial uses. At the present time, raw milk is allocated to potential users with priority given to higher-priced uses relative to lower-priced uses. The Board's recent involvement and encouragement of the construction of a milk processing plant to process milk into butter and skim milk has been viewed with alarm by other purchasers of raw milk. With the construction of a new plant (Dairy Town) operated by a producer cooperative, all available within-quota milk can be disposed of. In the past, excess milk was shipped to Quebec for processing. This resulted in lower priced returns, and transport costs. These reduced producer returns relative to returns based on the operation of a local plant.

The construction of this new plant basically resulted from lack of interest on the part of private companies in establishing additional processing capacity to utilize surplus New Brunswick milk. Both the Board and Government supported the development of a new plant as such a move was considered likely to add in excess of $300,000 to producer returns and also provide permanent employment opportunities.

Milk dealers, on the other hand, have expressed anxiety regarding the security of future milk supplies and milk for future growth of processing facilities. They are concerned that access to additional milk supplies, should they wish to expand, may be prejudiced by the operation of Dairytown Products Ltd. The response of Board officials is that sales priorities will continue to follow higher priced sales opportunities in the best interest of all milk producers. Thus, as long as Dairytown limits itself to the production of only butter and skim milk products, other uses will have priority supply, particularly as no major processor is also a producer of these items. However, some understanding is needed as to the basis of milk allocations should expanded production of butter and skim milk powder stress available supplies. To be consistent with overall producer interest, the Board must continue to be willing to supply expanded higher value uses and seek additional quota to satisfy Dairytown capacity.

11. Commodity and Market Information

Given in Table 3, is recent New Brunswick milk production in kilograms of butterfat. Table 4 shows statistical data on production and marketing costs in the 1981-1983 period and Table 5 provides historical data on fluid milk production and sales. The Milk Marketing Board has succeeded in expanding production in the face of lower allocation of market share quota by increasing the degree of quota utilization.

TABLE 3
NEW BRUNSWICK MILK PRODUCTION IN kgs OF BUTTERFAT
1982-83 DAIRY YEAR and 1983-84 DAIRY YEAR

MONTH	CREAM	FLUID	TOTAL	%CHANGE
August, 1982	35,976	187,944	223,920	+16.44%
September, 1982	32,642	154,711	187,353	+11.29%
October, 1982	25,842	154,720	180,562	+30.89%
November, 1982	20,488	123,975	144,463	+14.23%
December, 1982	13,891	131,142	145,033	+10.32%
January, 1983	8,730	154,628	163,358	+ 8.22%
February, 1983	7,828	128,973	136,801	+ 2.10%
March, 1983	12,074	139,336	151,410	- 7.47%
April, 1983	16,760	172,158	188,918	+ 3.11%
May, 1983	27,411	187,388	214,799	-11.45%
June, 1983	35,087	179,533	214,620	-18.28%
July, 1983	31,041	170,872	201,913	-13.49%
TOTAL	267,770	1,885,380	2,153,150	+ 1.23%
August, 1983	33,322	152,004	185,326	-17.24%
September, 1983	29,834	136,275	156,358	-16.54%
October, 1983	21,834	136,275	158,109	-12.44%
November, 1983	17,259	115,127	132,386	- 8.36%
December, 1983	10,490	134,852	146,342	+ 0.21%
January, 1984	9,147	157,907	167,054	+ 2.26%
TOTAL	121,943	822,632	944,575	- 9.58%

Production within M.S.Q. to date is 9.58% below production for the same period a year earlier.

Production to date is 41.6% of the New Brunswick Allotment and 40.32% of M.S.Q. issued.

Market Sharing Quota available for the 1983-84 Dairy Year is 2,262,000 kilograms of butterfat.

M.S.Q. issued January 1984: FLUID 2,070,308
CREAM 272,410
TOTAL 2,342,718

Percentage issued January 1984: 103.57% of total allotment.

TABLE 4

NEW BRUNSWICK MILK MARKETING COSTS, 1981-83

	1981	1982	1983
TOTAL MILK SALES (T.M.S.)	$40,019,005	$47,224,426	$50,879,733
TRANSPORTATION COST	1,942,483	2,190,546	2,409,330
Trans. as % of T.M.S.	4.85%	4.63%	4.73%
PROMOTION	315,678	452,832	589,077
Promo. as % of T.M.S.	.78%	.95%	1.15%
BOARD ADMINISTRATION	198,392	228,074	259,977
Bd. Admin. as % of T.M.S.	.49%	.48%	.51%
QUOTA ADMINISTRATION	34,207	47,744	55,973
% of T.M.S.	.08%	.10%	.11%
PRODUCER REQUESTED DEDUCTIONS	110,358	314,028	318,368
% of T.M.S.	.27%	.66%	.62%
C.D.C. LEVIES	1,053,313	1,468,737	2,612,745
% of T.M.S.	2.63%	3.11%	5.13%
NET PAYMENTS TO PRODUCERS	33,667,630	41,441,077	43,380,916
% of T.M.S.	89.12%	87.75%	85.26%
Note: C.D.C. SUBSIDY	2,367,434	3,068,519	3,158,011
§ $1.675/kg BF			
% of T.M.S.	5.91%	6.49%	6.20%

TABLE 5

NEW BRUNSWICK MONTHLY AVERAGE FLUID MILK SALE AND PRODUCTION
1974-1983

MONTHLY AVERAGE FLUID SALES BY YEAR	LITRES
1974 - 6 months average	3,878,072
1975 - 12 months average	4,376,567
1976 - 12 months average	5,210,755
1977 - 12 months average	5,380,791
1978 - 12 months average	5,616,890
1979 - 12 months average	5,746,812
1980 - 12 months average	5,874,600
1981 - 12 months average	5,810,768
1982 - 12 months average	5,761,276
1983 - 12 months average	5,826,933

MONTHLY AVERAGE PRODUCTION BY YEAR	
1974 - 6 months average	4,462,456
1975 - 12 months average	5,465,251
1976 - 12 months average	6,887,978
1977 - 12 months average	7,281,981
1978 - 12 months average	7,743,500
1979 - 12 months average	8,281,903
1980 - 12 months average	9,021,393
1981 - 12 months average	9,566,997
1982 - 12 months average	10,388,602
1983 - 12 months average	9,819,219

As indicated, about 50% of processed milk product is brought into New Brunswick. Except for consumer containers of fluid milk brought across the U.S. border, all fluid milk consumption is supplied by N.B. producers.

There are 520 licensed producers in 1984. Numbers have varied between this figure and 535 in the last three years.

12. General

The Marketing Board has an extensive system of communication with its producers and a program of consultative planning and objective setting. It has instituted its own trucking operation to supplement private trucking facilities hired by the Board, and it has succeeded in continuing to lower the proportion of transportation costs in spite of rising costs. Transport costs per unit are among the lowest in Canada. The Board in recent years has developed raw milk storage and bulk milk truck washing facilities, increased the utilization of New Brunswick market share of quota, obtained a market for all New Brunswick industrial milk within the province, developed a quota exchange system and expanded markets for milk.

The Board foresees continuing challenges in expanding industrial milk markets and maintaining New Brunswick share of M.S.Q., reducing the seasonality of production, achieving 90% of the herd on a milk recording program (currently 58 to 60), improving the availability of dairy specialists for assisting milk producers and expansion of the government's preventive medicine program, and encouraging a milk quality program for processed milk at the retail level. The Board is concerned about fluid milk being brought across the U.S. Canadian borders, improving the prediction of producer production trends, and with improved communication with producers, government and the public. The Board is concerned with developing methods for adequately determining the producer prices for raw milk and expanding the Board's role in price determination. The Board seeks assistance from government in maintaining the processing facilities and

expanding the milk recording program and the dairy and herd health professionals availability. It seeks clarification of government responsibility for milk (wishing it to reside in one body), the closing of the border to all milk and the adoption of the Ontario milk pricing strategy, for the pricing of milk.

2.9 NEW BRUNSWICK POTATO AGENCY

1. Historical Background

The Agency was established by appointment in April 1980. It was preceded by two regional agencies, a Western Agency in 1977 and a North-Western Agency in 1978. The plan initiated in 1980, provided for a Co-chairman from each of the two areas. On July 5, 1984, the plan was changed by Order-in-Council to provice for a chairman and vice-chairman instead of Co-chairmen. The purpose and intent of the plan, established under the Farm Products Marketing Act, was to establish an agency to provide for promotion, control and regulation of the marketing of potatoes within the province. Producers who produce and market a 1,000 hundred-weight of potatoes each year are regulated. The powers of the Agency include authority to regulate:

1) The time and place at which, and to designate the agency by or through, and the manner in which the product can be marketed;
2) The quality, quantity, grade and class that may be marketed;
3) The fixing and alloting of quotas for marketing and the requirement for potatoes to be marketed on a quota basis;
4) The requirement that persons engaged in production or marketing of potatoes register and obtain licenses, for which fees or charges for services rendered will be applied;
5) The fixing of price or prices for potatoes, except potatoes for processing;
6) For search of a vehicle, seizure, removal or disposal of potatoes (on reasonable grounds) kept, transported, packed, stored or marketed in violation of an order of the Board;
7) The agency also has the power vested in a company under Sub-section 1, of the Companies Act and the authorities vested in its Directors under Sub-section 81(1) of the Farm Products

Marketing Commission;

8) To carry out research to assist producers and shippers to achieve proper methods of production, processing and marketing of potatoes;

9) To organize and conduct advertising/promotion, and to provide information on quality, quantity, transportation and prices;

10) To work with appropriate agencies, commissions and government bodies toward the establishment of a price stabilization or price insurance program for producers in New Brunswick, as well as to cooperate with producer groups in the province to promote the establishment of regional or national potato agencies, and to make representation regarding the interests of New Brunswick potato producers within the province, nationally and internationally.

The Act provides for the establishment of 4 Negotiating Committees:

1) for processing as potato chips
2) for processing as starch
3) for processing as french fries
4) for processing as other usage

The Negotiating Committees are to be composed of 6 persons, three appointed annually by the Agency, and three appointed annually be the processors. These Negotiating Committees have the authority to settle by agreement minimum contract prices, terms and conditions and forms of agreement regarding the marketing of these potatoes, and charges, costs or expenses related to the production or marketing of any class, variety, grade or size. The Act provides for a Conciliation Board where agreement cannot be reached by March 20th in any given year. The Conciliation Board is made up of one representative each from producers and processors and an appointed member by the Commission. The Conciliation Board report is submitted to the Negotiating Committee in two weeks where no agreement is reached. The question is then referred to the Farm Products Marketing Commission which refers the matter to an Arbitration Board, made up in a manner similar to the Conciliation Board and shall make a

final determination of the matters under dispute. The plan is subject to plebiscite after 4 years on request by 25% of the producers.

2. Administrative Structure

The Board of Directors is made up of ten individuals from two districts, elected for a period of three years on a staggered basis. Eligible producers are defined by a marketing order (81/2) of the Agency as all persons in New Brunswick producing and marketing potatoes. The Agency has eight employees, including a manager. It operates two offices, one in Florenceville and one in Grand Falls. The staff includes three field staff and a promotion officer. One of the full-time staff is involved in promoting New Brunswick products in the Montreal market. Each district has a Zone Committee, which elects its Chairman and representatives to the Board. (See Organization Chart, Figure 3).

The Executive Committee of the Board is made up of the Chairman, Vice-chairman, the Chairman of the Budget and Audit Committee and one other Director. In addition to these there is a National Agency Committee, a Communication Committee, a Promotion Committee, a Pricing Committee, a Potatoes Canada Committee and 2 Negotiating Committees, one with McCain and one with Humpty Dumpty. The Board had nine orders in effect at 1 April 1984, reference Appendix III. It is estimated that there are 800 producers of potatoes of whom approximately 636 have been registered.

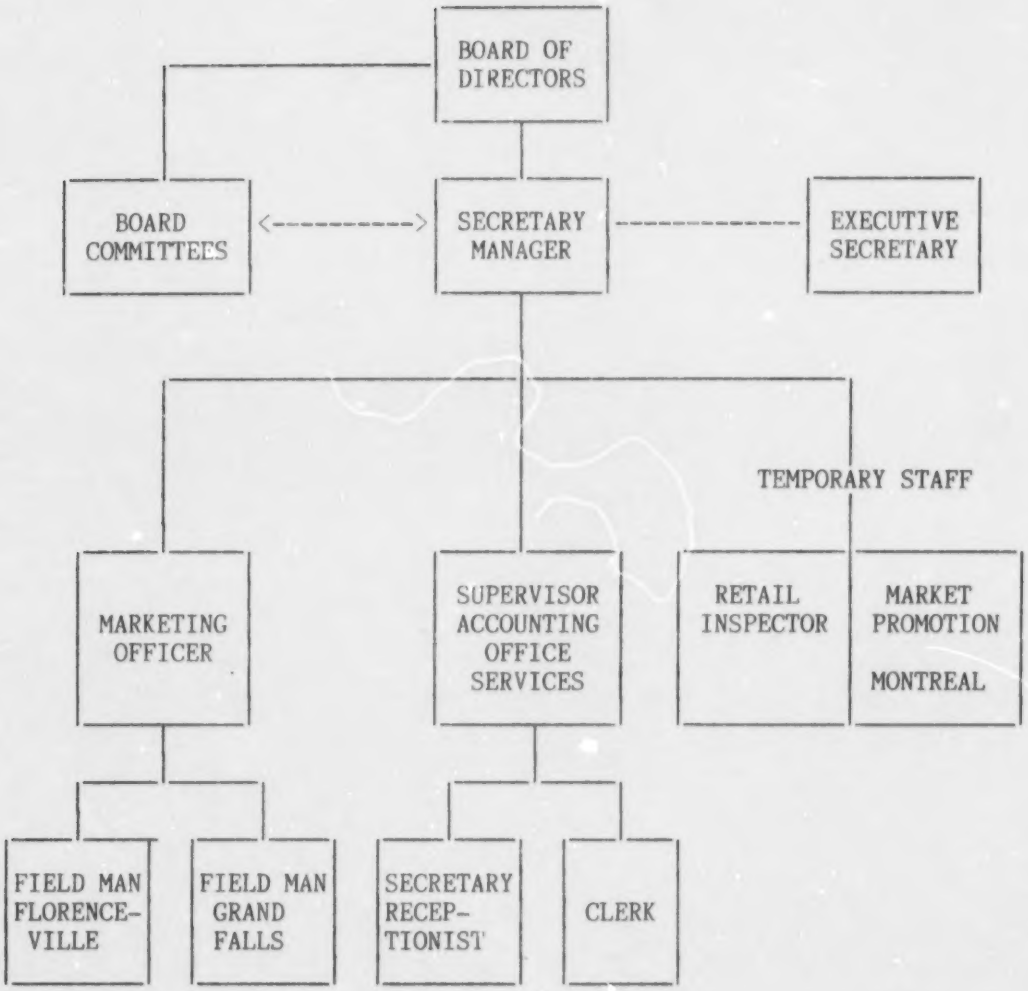
3. Policy Objectives

The principal policy objective of the Agency is to provide for promotion, control and regulation of the marketing of New Brunswick potatoes. Some work has been conducted to identify and implement a program of policy priorities and strategies. The work on future policies for the Agency is continuing.

FIGURE 3

NEW BRUNSWICK POTATO AGENCY

ORGANIZATION CHART



4. Delegated Powers

Several powers have been delegated to the Agency in respect to pricing, quotas and promotion of the marketing of potatoes. The Agency functions as negotiating representative for the pricing of processing potatoes, administers the Federal Advance Payment For Crops Program and has acted on behalf of provincial producers in national negotiations for a regional agency.

5. Exemptions from the Plan

Under Agency orders there are no exemptions from the Plan.

6. Financing

The Agency collected $408,000 in levies in 1984, compared with $341,000 in 1983 and 463,000 in 1982. Together with government grants for activities for activities under government sub-agreements, the Agency received a total revenue of $513,000 in 1984 compared to $641,000 in 1983 and $692,000 in 1982. The Agency has taken steps to improve their loss position in respect to the Advance Payment For Crops Program. Although this program is guaranteed to the extent of 90% by the Federal Government, in past years the Agency has run into some problems with accounts receivable. These were significantly reduced in 1984, and the organization has taken steps to make the Advance Payment Program self-supporting.

7. Promotion

Under the Agricultural Sub-agreement 2, the Agency has been receiving $25,000 for promotion in recent years. The money has been used to finance the appointment of a representative in Montreal to promote the marketing of New Brunswick potatoes and to deal with buyers in the market place should any difficulties arise. In addition, the Agency advanced $7,300 to the Canadian Horticultural Council as part of a national vegetable production promotion.

8. Pooling

At present, the Agency carries out no pooling activities, however, the possibility of price pooling was discussed at a policy meeting of the Agency in St. Andrews in August of 1984.

9. Pricing

As indicated, the Agency negotiates minimum prices for processing potatoes and this is carried out by negotiating committees as provided for in the marketing plan. There are three committees as follows:

1) Negotiation for processing as potato chips,
2) Negotiation for processing as french fries, and
3) Negotiation for processing other than potato chips and french fries.

This system has worked well over the past three or four years. In addition, the Agency recommends prices for early tablestock potatoes and this was well received by growers in 1984. The Agency receives pricing information from its representative in Montreal, which is disseminated to both growers and shippers.

10. Quotas

No quota programs have been instituted.

11. Commodity and Market Information

Potato production shares with milk the status of the major income generator for New Brunswick agriculture. In 1982, production was estimated to be 13.1 millon cwts with a value of $39.2 million and in 1983, it was estimated to be 11.5 million cwts with a value of $57.0 million. Acreage in recent years has varied between 52,000 and 58,000 acres. The average disposition of potatoes for the period 1978 to 1982 was tablestock 15%, seed 11%, local use, seed and processing 52%, and cullage and loss 22%.

the U.S. Exports were 4.1 million hundred weight, also mainly to the U.S. In New Brunswick it is estimated that producers supply between 70% and 90% of the table market, 100% of the processing market, and 95% of the local seed market. Some 80 to 90% of table stock is moved outside of the province, and about 60% of the seed stock.

12. General

Section 33 of the N.B. Potato Marketing Plan states,

"If, after the expiration of four or more years from the coming into force of the Plan, at least twenty-five percent of producers request the Commission to hold a plebiscite of producers upon the question of favour of the Plan, the Commission shall hold such a plebiscite and may ascertain in such plebiscite the opinion of producers on any matter respecting the marketing of the regulated produce and shall advise the Minister of the results of the plebiscite."

During the summer of 1984, the Commission received representation from producers requesting that a vote be held on the New Brunswick Potato Agency. As a result, the Commission conducted a vote on the Agency during the month of August 1984. The ballot was as follows:

"The N.B. Potato Agency presently has the power to regulate the potato industry and organize producers under the Farm Products Marketing Act. The Agency is a Board of 10 Directors elected by registered potato producers.

Are you in favor of the N.B. Potato Agency continuing to represent New Brunswick Potato Producers?

Please ✓ desired box

☐ Yes

☐ No "

Those eligible to vote were potato producers who were registered with the N.B. Potato Agency as of July 31, 1984.

The ballots from this vote were counted on September 24, and the results were as follows:

Votes	Number	Percent
"Yes" - In favour of continuing Agency	324	69.1%
"No" - Against continuation of Agency	145	30.9%
Total Votes Cast	469	
Total Votes Distributed	585	
Percent of Votes Distributed that were cast		80.2%
Spoiled and late ballots	12	

The results outlined above clearly indicate that the registered potato producers want the New Brunswick Potato Agency to continue to represent them.

Since the vote, the Agency has moved from a structure of co-chairmen to a Chairman and Vice-Chairman, and has also appointed a new Secretary-Manager to succeed the previous Manager who resigned to accept another position.

2.10 NEW BRUNSWICK HOG MARKETING BOARD

1. Historical Background

The New Brunswick Hog Marketing Board was established on July 18th, 1951. Attempts at organized livestock marketing, however, date back to the early 1920's. The Maritime Livestock Board Incorporated was established in 1927, and area shipping clubs were formed to direct the marketing of livestock through the central agency. This continued until the establishment of the Board, which in 1983 celebrated its 32th year of operation. The Board operates as a company under sub-section 14 (1) of the Companies Act, with the authorities vested in its Directors, as indicated under sub-section 81 (1) of that Act. The Board has authority to regulate:

1) The time and place at which and to designate the agency by or through and the manner in which the product can be marketed;
2) The quantity, quality, grade or class that may be marketed;
3) Exemptions, commencement or maintenance of production or marketing, and require persons so engaged to obtain licenses for which it may fix and collect fees or charges;
4) The price or prices within the Province;
5) Search of vehicles and require seizure, removal and disposal of regulated product, on reasonable grounds, that has been kept, transported, packed or marketed in violation of an order of the Board;
6) Imposition on persons engaged in marketing, the duty to collect on behalf of and remit monies to the Board;
7) Conduct of a pool or pools for distribution of the product;
8) Requirement for prices payable or owing to be paid to or through the Board;
9) Requirement that any person who produces to offer to sell and to sell to or through the Board;
10) Prohibition of any person from processing, packing or packaging any of the product that has not been sold to, by or through the Board;

11) Cooperation with any Canadian or Provincial Board that regulates the marketing of hogs and;

12) To make such orders as it deems necessary to carry out the plan and to regulate the marketing of hogs.

2. Administrative Structure

The plan calls for a Chairman and a Vice-Chairman drawn from 5 Directors making up a Board of Directors representing five zones. Directors are elected by shipping clubs organized in five designated areas. Directors terms are for two years, staggered so as to rotate membership. Hog producers who market two or more hogs are eligible to vote and are regulated. The Board is administered by a Secretary-Manager, and including the Manager, has four employees. The Board has two Standing Committees; a Price Negotiating Committee, and a Board Executive Committee.

3. Policy Objective

The stated policy objective is the promotion, control and regulation of the marketing of hogs inside the province of New Brunswick so as to maximize producer returns.

4. Delegated Powers

The Board has broad powers, particularly focusing on negotiating prices. It has no quota authority. The Board has exercised its pooling authority to implement an equalized hog transportation program.

5. Financing

The Board is financed primarily by commission on sales of hogs, which in recent years has been 52 cents per hog. Total income in 1983 was $133,000 compared with $131,000 in 1982. The Board showed a loss of about $7,000 in 1983 compared with a surplus of about $5,000 in 1982. Operating costs in 1983 exceeded the established budget by about the extent of the deficit. The Board also operates a freight assistance plan based

on monies received from the province of New Brunswick, which is used to subsidize trucking costs. The Board received $175,000 in 1983 compared with $145,000 in 1982. This Fund showed a $4,000 deficit in 1983 compared with a surplus of $7,000 in 1982. The deficit was recovered from the province. The Board also operates a transit insurance fund financed by producer check offs and contributions from packers and truckers. This Fund showed a positive balance of $14,000 compared with a nil balance the previous year. The Board had a net funds surplus of about $20,000 at the end of 1983, compared with about $27,000 in 1982.

6. Promotion

Promotion activities are handled by the New Brunswick Porks Producers Association.

7. Pooling

All New Brunswick producers pay a transportation levy of 25 cents per hog, regardless of how hogs are transported or where they are marketed. This enables the Board to direct hogs from producers in relation to market advantage, so as to maximize producer returns. The Board negotiates all selling prices for hog producers following prices established in Ontario.

8. Pricing

New Brunswick hog prices are set on a weekly basis using a formula agreed to between the Board and the packing plant. This formula currently is based on the weighted average price for hogs sold in Ontario on the previous Thursday and the current Monday, less 40 cents per hundred weight. A change in this formula is being considered so as to use the previous Ontario weekly average price. This would permit the establishment of prices on the Friday before the week in question. Shown in Table 6 is the record of prices based on monthly averages during the 1981-1983 period. The average annual hog returns are also shown.

The Board has acted to negotiate arrangements for the marketing of hogs for the Northern part of the province to

Quebec. This product is marketed at the established Quebec price, plus a $4.00 per hog transportation allowance. These producers receive the same price as the New Brunswick published hog price, so that a partial pooling of producer returns is taking place.

TABLE 6

MONTHLY AVERAGE PRICES FOR NEW BRUNSWICK HOG, 1981-1983

YEAR	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
1981	64.45	67.13	61.75	61.38	62.10	71.88
1982	64.90	69.19	72.69	78.10	88.00	92.44
1983	83.38	86.50	80.38	71.80	72.13	69.44

YEAR	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
1981	79.30	78.63	78.31	74.10	68.19	65.63
1982	92.75	94.75	95.94	88.30	78.88	81.80
1983	66.85	69.75	68.60	82.38	58.50	63.85

Note: Average hog price 1981 = $116.00/carcass
Average hog price 1982 = $138.62/carcass
Average hog price 1983 = $122.61/carcass

9. Quotas

The Board has no quota authority.

10. Commodity and Market Information

It is estimated that there were some 200 producers in 1984. This compares with about the same number in 1983 (205), 237 producers in 1982, and 262 producers in 1981. Sales and volume of production have been increasing each year, with production rising from 105,000 hogs in 1981, to 148,000 in 1983. Packers are seeking a continued increase in production. The value of sales through the Board has increased from $12.2 million in 1981, to $18.1 million in 1983. Some 37% of production is marketed through plants in Quebec. There is a tendency toward improved

quality of production. The move to market product in the province of Quebec was part of a program to improve transportation and hog pick up services to North-Western producers. Some hog producers have begun illegally marketing product outside the Board. The Board has improved its communication services to producers, added a bilingual clerk to staff, established a bilingual newsletter, and simultaneous interpretation at general membership meetings. As indicated, producers are being assisted by the New Brunswick government in the transportation of their hogs to market.

11. The New Brunswick Hog Price Stabilization Program

This program commenced in 1974, and is administered by a Hog Stabilization Board, composed of eight persons, working in conjunction with the Hog Marketing Board. Representation on the Board consists of five producers, representing the five production regions of the province and three persons named by the Department of Agriculture.

The objectives of the program are:

1) To provide greater security to hog producers through a guarantee that efficient producers will not suffer financial loss during periods of low prices.
2) To ensure greater stability of hog production by enabling producers to remain in business during periods of low prices.
3) To remove the peaks and troughs in producer returns caused by hog price cycles, so that returns will be more constant over the long term.
4) To provide a more uniform volume of supply of hogs for the processing industry.
5) To provide a safeguard for lending agencies who are providing loan capital to the industry.

All producers marketing hogs through the Hog Marketing Board are eligible to participate in the program upon application. The maximum number of hogs to which stabilization payments may be applied is 5,000 per producer or production unit.

Producer payments to the fund (from 1 July 1983) are $1.00 per

market hog for the first dollar or part thereof that the weekly price exceeds the base price plus $5.00. And, thereafter is in increments of $1.00 for each dollar or part dollar rise in market price to a maximum contribution of $8.00 per hog. The base price is the price per hundredweight, index 100, determined quarterly on the basis of a cost of production formula which is intended to cover 95% of out-of-pocket operating costs. The Hog Marketing Board deducts producer contributions from hog sale receipts and deposits the monies to credit of the Stabilization Fund account.

Producers are entitled to receive payments from the Fund when the average weekly price on 100 index hogs falls below the base price. The amount paid per market hog is equal to the difference between the average weekly price and the base price. Fifty percent of this amount is paid from the Stabilization Fund and fifty percent is paid by the Department of Agriculture as a direct grant to producers.

The cost of administration of the Fund, less any interest received on deposits, is paid by the Provincial Government up to a maximum of $20,000 per year. In the event that there is insufficient money in the Stabilization Fund to meet payments, the Government is requested to provide interest free loans to meet the full amount of the deficiencies. The repayment of such loans commences when the amount in the Fund subsequently reaches a credit of $25,000. If the balance in the Fund should exceed $500,000 (which has never happened) then producer contributions will be reduced to one-half of the above rate.

Over the past five years (1979/80 to 1983/84), due to the depressed state of the hog market, Government loans to the Stabilization Funds have totaled $3,327,062 and the outstanding balance on these loans, as at 29 February 1984, was $2,665,823. Government grants over the same period amounted to $3,529,360.

Producer equity in the Fund at that date was only $389.

2.11 MANAGEMENT OF MARKETING BOARDS

In addition to the review of each marketing board given in preceding sections, an assessment of the general management of boards was undertaken with a view to identifying means for improving the effectiveness and efficiency of board operations. This refers to the internal management functions that are common to all boards and does not take into account the varied activities dictated by the different market plans of individual boards. Attention is therefore directed primarily to communication, planning and administration.

1. Election of Directors:

The regulations for the election of directors under the various marketing plans have been designed to obtain as fair a representation of the membership as is possible. This is usually done by dividing the province or production regions into a number of areas, each electing a director. This in itself has been satisfactory with the exception that there is a tendency for the same members to be elected year after year. Unless there is dynamic leadership from the chairman, this can, over time, lead to the Board of Directors becoming a "club" with fixed ideas and somewhat self-serving interests.

To maintain the vitality of any organization it is necessary to regularly introduce fresh ideas and opinions and to provide for the development of new leadership. This appears to be lacking in a number of boards although they have been operating long enough to have gained sufficient experience to encourage it to take place. There is a need, therefore, to devise a system that will provide for an orderly rotation of directors and the introduction of new blood.

2. Definition of Responsibilities and Delegation of Tasks:

There is a wide variation in how the roles of Board Chairmen, Directors, and Secretary-Managers are perceived by those concerned, applied, and applied consistently. Personalities and inter-actions, circumstances, and lack of prior definitions all contribute to these variations. The principal functions and responsibilities of directors and board staff need to be clearly defined, distributed to all concerned and adjusted when circumstances change. A misunderstanding of roles and responsibilities has given rise to several examples where directors are believed by others to have used their authority for personal concessions. Following a clear understanding of delegated authority, it is up to other directors and the Chairman to make sure conflicts of interest are handled appropriately. A further point that has created some problems has been instances where directors have perceived their role as managers instead of policy-makers.

Examination of Board minutes reveals many instances of excessive or unnecessary board time being spent on non-policy matters or subjects which could be considered more appropriately by sub-committees and subsequently be submitted with recommendations for decision.

Board Chairmen and Secretary-Managers should make it a practice to confine agenda items to those matters requiring final perusal and formal decisions, delegating all items calling for study to an individual or a standing or ad hoc committee. Other than special matters requiring full board consideration, two to three hours should be regarded as an outside time limit for board business.

Effective management procedures also include the requirement for staff to be accountable for their time and how it is applied. Some boards follow the practice of receiving regular reports from the Secretary-Manager, which is a start in this direction. But again, pre-determined goals, activities and priorities are necessary requisites if proper reporting is to be meaningful.

3. Establishment of Priorities:

The evidence suggests that the majority of marketing boards have not established short and long-term objectives or subsequently set and periodically reviewed priorities. The one exception is the N. B. Milk Marketing Board which has been doing a commendable job in this respect.

It is essential that each board has in place a system for the consideration, selection, establishment and planning for the achievement of both short and long term objectives with priorities. Moreover, these should be understood by and have the approval of the membership, and be reviewed and updated on a regular basis. Without such a system the board cannot properly fulfill its mandate, there will be a lack of direction to its policies and its actions will be of an ad hoc and reactionary nature.

4. Exercise of Board Powers:

During the initial phase of implementation of the legislation under which the Boards function, there has been a natural reticence for enforcement action. The need for establishing objectives and priorities becomes important within this context, as Board resources are required for such action. It is up to Boards to decide how important compliance with the regulations is relative to other possible activities within available resources.

A key aspect of enforcement of board regulations is the role of inspectors, either in monitoring processing or the market outlets. There are indications that the members of at least three boards would benefit from new or increased inspection services.

5. Member Consultation:

Better discretion by Directors and Chairmen has been needed in several cases involving major policy changes which have not been referred to members in advance. While such consultations or reference might not be required legally, counter-productive effects that result from not doing so can smolder for a long time.

In addition, within several commodities there are producers specializing in selected products or marketing outlets. These specialties are not always represented on Boards and not always considered in matters coming before them. Where these conditions prevail, the Chairman and the Secretary-Manager should make special efforts to ensure that all segments of the membership are heard on matters affecting their operations.

A further matter in this respect is that informative and educational presentations to boards also provide an opportunity for service to members as well as directors. It is suggested that consideration be given to holding open meetings on such occasions so that the fullest advantage can be taken. Involving non-directors both actively and passively helps to identify potential future leaders and provides them with experience.

6. Board Staff/Member Relations:

Investigations reveal that there are unrealistic expectations on the part of members and directors concerning staff, and also by staff concerning members and directors. Undoubtedly a better definition of roles and responsibilities will help, but not solve these problems.

From the staff standpoint, there will never be enough time to accomplish everything expected, hence the need for priorities. On balance, it appears that the needs of members have been relatively low on the priority list. This suggests the requirement for better channels of communication with members accomplished through personal presence at area meetings or other regular contact opportunities, more frequent newsletters (at least two boards are already doing this), and through directors and committee members who are often in the best position to bridge the gap.

As far as Directors and members are concerned, they cannot expect the staff to do their administrative or inspection work and also be at call for whatever reason. Staff accountability through regular reports can establish where their time is being

spent and this should be subject to adjustment according to mutually discussed and pre-determined priorities.

7. Board/Government Relations:

While Boards are established with a legislative mandate and maintain a continuing dialogue with the Farm Products Marketing Commission and the Department of Agriculture, they are independent organizations financed and operated by their respective members. Concern has been expressed by producers over the inclination of some boards, under difficult circumstances, to seek and accept government assistance and thus involvement in their affairs. The price paid is said to be the Board's inherited inability to speak as the independent voice of its members.

From all available evidence, government staff representatives have maintained a passive and supportive role with officials only becoming involved upon request. Unfortunately, the Boards cannot have back-up support on call and independence at the same time. Furthermore, it is up to the Boards themselves to prevail in resolving issues involving processors or other agencies and to manage their affairs effectively so that the need for government intervention does not arise.

8. Information Base:

There is a distinct need to provide directors and members of all boards with more information and up-to-date material on matters relating to their industry, both in New Brunswick and other production areas. Secretary/Managers have a responsibility for seeing that their members are as fully informed as possible on market circumstances, opportunities and future potential. But the information requirements for the more complex commodities, such as potatoes, will be beyond their means and directors should decide either to use board resources to fill this need or to solicit assistance from the Department of Agriculture.

9. Financial Management:

The main failing in financial management is the lack, in some cases, of a system for the provision of regular monthly financial reports. These should be provided by the Secretary/Manager and include operating statements showing commitments and expenditures for each item budgeted, a balance sheet, cash position and projected revenues.

Another weakness in the past was inadequate internal financial controls. This was revealed by an independent audit of five marketing boards conducted for the Farm Products Marketing Commission between October 1981 and June 1982. The significant points were as follows:

- Inadequate checking of financial transactions and records due to the fact all these duties are normally conducted by one member of staff.
- No system to indicate that supplies and invoices have been thoroughly checked.
- Supporting invoices not presented to signing officers when authorizing cheques.
- Bank deposits and reconciliation of accounts made by the bookkeeper with no checks.
- Directors pre-sign blank cheques, thus at times giving sole signing authority to the Secretary/Manager.
- No check or correlation between service charges deducted by processors on behalf of the board and quantity of product marketed by the producer.
- Sales "stickers" not locked up and no inventory or account maintained.

Subsequent to the above audit, the Commission instructed that the accountants' recommendations for improving internal controls be implemented but it is probable that there are still some remaining weaknesses.

2.12 CONCLUSIONS

1. Agricultural marketing boards and agencies have developed as a significant factor in agricultural sectors of the Province over the past 12 years.

2. The present 10 marketing boards and agencies are involved in the marketing of over 70 % of the farm products (value at farm gate, $140 million) produced in New Brunswick.
3. Five of the boards have quota systems to manage volume of production. These are milk, cream, turkey, chicken and eggs.
4. Within the 10 boards, there are significant differences in the effectiveness and efficiency of board operations. This refers to the internal management functions common to all boards, namely marketing, communications, planning and administration.

2.13 RECOMMENDATIONS

1. In order to maintain the vitality of any organization, it is necessary to regularly introduce fresh ideas and opinions; therefore, it is recommended that all boards have a system in place that will provide for an orderly rotation of directors and the introduction of new blood.
2. Because of wide variation in how the roles of marketing board chairmen, directors and secretary-managers are perceived by those concerned, it is recommended that the present training program of one annual seminar sponsored by the NB Federation of Agriculture, the Department of Agriculture and the Farm Products Marketing Commission be greatly expanded to include a variety of training courses and tours.
3. With one or two exceptions, the evidence suggests that marketing boards or agencies have not established short and long term objectives or subsequently set and periodically reviewed priorities; therefore, it is recommended that each board have in place a system for consideration, selection and establishment of both short and long term objectives with priorities.
4. Because of the importance of all members of marketing boards and agencies being informed on programs and issues, it is essential that the chairman, secretary-manager and directors make special efforts to ensure all segments of the membership are heard on matters affecting their operations.
5. Because of the importance of efficient administration, it is strongly recommended that all boards develop management and procedure manuals.

CHAPTER 3

ESTABLISHMENT OF PRINCIPLES AND POLICY FOR QUOTA MANAGEMENT AND COMMODITY PRICING

In the review of the Commissions conducted in Report I, one of the weaknesses identified was the lack of established basic principles and a policy for the management of quotas and the pricing of commodities. These issues are analyzed and discussed in this chapter and recommendations provided for the implementation of a sound policy by the Farm Products Marketing Commission in cooperation with the relevant Marketing Boards.

3.1 PRINCIPLES AND POLICY FOR QUOTA MANAGEMENT

311 Quota Authorities

In New Brunswick, although most Boards have quota authorities, there are only four marketing boards which actively use quota mechanisms to allocate rights among producers. These Boards are:

- The Milk Marketing Board
- The Chicken Marketing Board
- The Egg Marketing Board
- The Turkey Marketing Board

While the establishment of quota authorities requires only the granting of legal instruments within legislation, provincial and/or federal, making quota authorities effective requires that other conditions be satisfied.

1) Scarcity:

Quotas are associated with rights to production. If production rights are not sought, not in demand, they have no value, and are worthless to those who hold them.

2) Limited Entry:

If production rights cannot be constrained, even if they are highly desirable, then they are valueless. The legislative Act of conferring production rights prevents those without such rights from producing.

3) Import Control:

Quota controls can only be effective with a political jurisdiction which can limit product entry. Provinces cannot effectively and legally do this. This is why, unless there is only one production location in Canada, national or regional marketing boards are required to make quotas effective.

4) Administered Pricing:

Quota systems, without mechanisms for price setting, can only partially achieve the objectives of quota authorities. If producer prices remain to be determined by supply and demand, buyers can use price resistance to render quota authorities worthless. To be effective, administered pricing must always be coupled with the following factor.

5) Surplus Removal Programs:

Quotas and administered pricing can only be supported by the establishment of mechanisms to eliminate surpluses at prices established. Without this, the threat of price resistance can make both of them ineffective. Markets, either abroad, or in lesser value uses which change the product form, are required for disposal at reduced prices.

6) Relatively Large Domestic Premium Market Share:

Products must be able to count on a substantial controlled market where the benefits of quota authorities can be enjoyed. This market must support the costs of industry administration and surplus disposal.

7) Demand Expansion Programs:

While not as crucial, quota authorities must be sustained over time by efforts to maintain and expand demand. A failure to energetically do this can lead to a deterioration of the market base supporting the value of quota authorities.

Existing provincial boards attempt to make their programs effective by relationships on a national basis. The internal administration of these quotas remain solely a provincial responsibility so long as they are administered in a way which ensures that provincial responsibilities under national plans can

be carried out. As indicated above, since provincial programs can usually not be effective within a provincial context, the maintenance of the integrity of provincial systems, relative to their compliance with requirements at the national level, must be a basic element of any provincial quota system.. The Farm Products Marketing Commission must in its turn accept the responsibility for ensuring (on behalf of producer participants) that the rules and regulations of the quota system within the province meet these criteria. Further, in its responses to the Minister and to the provincial cabinet, it must make clear to government policy authorities the importance, for industry success, of ensuring the continuing capacity of the marketing board in question to establish and maintain rules and regulations which permit it to comply with national quota program requirements. These elements imply the following requirements in a provincial marketing board quota system.

1) Specific quota authority for quotas and quota system operation.
2) Board authorities must include search, seizure and disposal, as well as information requirements, to prevent non-quota production.
3) Boards must have authority to levy penalties corresponding to national requirements and sufficient to discourage non-compliance.
4) Requirements for close contacts with the Commission to ensure legal instruments are in good order, government is aware of developing problems, and all measures to resolve differences by negotiation are exhausted.

312 Quota Management

General quota management involves the establishment of specific procedures for the allocation of quota. Quota programs which have been successful require as their basis an equitable system of distribution, rules which are simple and well understood, and equality of access. Such a quota administration program must meet the following criteria.

1) Eligibility, e.g. the following questions must be answered:
   - producer or non-producer
   - facilities holder or non-facilities holder
   - limits on total quota
   - timing of application
   - location of production facility
   - absence or presence of quota value
   - availability of market
   - efficiency
2) Order of priority, the following questions must be asked:
   - first come, first served?
   - priorities of existing producers versus non-producers
   - priority by category of quota size
   - priority by availability of facility
   - producer capability
3) Timing of quota insurance or exchange: how often do quota issuing or quota exchange activities occur? And other procedures for application and sale/rental.
4) Source of quota:
   - board only
   - board and/or private treaty

A wide variety of alternatives can work effectively, but specific provision in Board orders is required to ensure the satisfactory operation of a quota administration system.

Boards generally seek to limit quota to bona-fide producers, and to limit quota size to ensure broader distribution. These issues respond to minimizing vertical integration and encouraging family farm operations. This cannot be done effectively if Boards are not involved in the transaction and do not retain ultimate quota ownership.

In practice, Boards must be delegated the authority to operate quota management systems, and to act as the delegated owner of quota. Only they will be able to appreciate the internal complexities of the industry which must be taken into account; and Boards should be responsible for dealing with the many "political" decisions required to operate a quota system

effectively, and dealing with various measures by applicants and sellers to circumvent Board procedures.

313 Quota Transfer Issues

There are more or less desirable approaches to responding to quota transfer issues. The mechanism involved can influence future industry entry.

Quota values can act as a barrier to industry entry. They are often perceived as measures of excess profitability and they raise the danger of being incorporated into pricing formulae. It is clear that quota values are not a measure of excess profitability, since other factors, such as unused managerial and physical capacity, the availability of new quotas, the level of risk in the industry and the opportunity investment cost, can also be important elements in determining quota values.

Determining the shape of the transfer quota program is important. Boards face three different options and many variations between them as follows:

- Free quota exchange
- Negotiated transfer tied to assets
- Board controlled re-allocation

1) Free quota exchange has the advantage of providing unrestricted access to quota. This approach is associated with efficiency, because high-cost operators have an incentive to exit, while low-cost producers with excess capacity can reach full capacity. This approach favours vertical integration and can lead to third party control. While this can be regulated against, it is difficult to control with free quota exchange. This encourages growth through efficiency and ensures lower regulated prices by permitting the exclusion of known costs of quota values.
2) Negotiated transfers tied to assets are used as a means of ensuring the non-availability of unused capacity, which can serve as a source of non-quota production. This is a widely used requirement even when free quota exchanges are permitted. This reduces efficiency in that it can force the retention of

out-dated facilities. These exchanges can be free or made through the Board. Board involvement is the only way of ensuring that procedures are actually followed.

3) Board controlled re-allocation tends toward lower quota values being capitalized. However, this does not prevent the existence of implicit quota values included in assets, even if quota values are prohibited. As a consequence, even with Board controlled re-allocation, the Boards should be encouraged to permit the recognition of quota value. Whole quotas are not re-allocated as efficiently as would take place using solely the market, this approach tends to reduce political vulnerability. However, such allocation systems are always open to accusation of bias, despite the establishment of objective criteria. Difficulties in acquiring quota ownership sometimes shift resources into other commodities and reduce the incentive to exit. Exit is encouraged if boards permit values to be associated with quota. Board involvement provides a maximum of management information and control on quota.

Basic principles for quota policy can be applicable to all commodities although Boards may be in different stages of maturity and face different industry capacity situations. However, longer term application of quota policies must address industry objectives, e.g. increased size, geographical shifts or dispersions, industry efficiency. Experience in Canada shows a geographical bias with tied systems predominating in the Prairies and free trade predominating in B.C., Ontario (except for chicken) and Quebec.

Fluid milk quotas are usually freely traded throughout. New Brunswick, Ontario and Quebec operate quota exchanges for F.M.Q. and M.S.Q.. Prince Edward Island and Alberta for M.S.Q., Nova Scotia, Alberta and British Columbia permit transfers of F.M.Q. through the Board. Manitoba, Saskatchewan and British Columbia for M.S.Q., and Nova Scotia for F.M.Q., permit quota exchange

with facilities. In Nova Scotia, M.S.Q. is not saleable among producers. The following guidelines are useful:

1) Board control systems tend to stabilize commodity sectors and eliminate or control vertical integration.
2) Systems operated by Board, which permit price determination for quota, serve as a basis for establishing confidence in quota values and aid long-term planning by farmers.
3) Quota systems tied to facility transfers require an effort to evaluate quota value, which can be masked.

The Commission should favour freely-traded quotas, even if they are administered through the Board and have associated with them criteria which limit the size of quotas, define the character of the buyer and the facilities which must be associated with the quota. Since the supply management objective carries with it ideas about the family farm, it is legitimate that an effort is made to ensure the maintenance of social as well as economic objectives. The Commission should also favour systems which identify explicit quota value and provide public exchange mechanisms to facilitate transfer and tend to minimize quota values.

With specific reference to the Milk Marketing Board, the controversy surrounding the quota exchange appears to be an inevitable aspect of accommodation to new approaches required in facilitating quota exchange. The action of the Board in instituting the quota exchange is very positive for the development of the industry and in minimizing speculation. The Board should be permitted to work out its ultimate exchange procedures in interaction with its members, without interference by the Commission at this time.

314 Other Quota Issues

1. Industrial Milk Quotas

Of a different quota nature, the Commission will have to deal with the milk allocation question for industrial milk. It is

obvious that higher value uses should have priority over lower value uses. The Commission may request from industrial milk users a five-year plan of their requirements, which the Marketing Board should be expected to honor even at the expense of reduced shipments to Dairytown. After this period, based on actual performance by other processors, Dairytown should be expected to have acquired rights to its purchases as well. Further expansion at that time will have to depend on the success of the Board in having negotiated additional quota rights to that time, and in the future. The established processors should not expect to hold the plant hostage forever. And indeed, if expanded processing facilities by Dairytown appear economically indicated because existing processors have failed to take account of the market, then this should be permitted as well. The opportunities are there. If existing entrepreneurs fail to take advantage of them, and Dairytown wishes to, they should not be permitted to stand in the way of industry development.

It goes without saying that, insofar as is humanly possible with producer cooperatives, Dairytown should be at arms length with the Board. It is a decided advantage that not all producers are involved in this cooperative.

2. Poultry Quotas

It appears necessary for the Chicken and Turkey Boards, that within a production year, if a producer does not produce his quota for two cycles, his quota should be subject to review. Should the producer not be able to provide satisfactory assurances to the Board that he will fulfill his annual quota, then actual production, annualized plus 5%, should be the maximum allowable to him for the balance of the year. The balance should be re-allocated on a first come-first served basis, relative to applications to the Board for temporary quota. Should a producer, after two years, fail to produce within five percent of his quota, then his quota allocation could be reduced, on a permanent basis to actual production on an annualized basis plus 5%. The balance would then be re-allocated to other producers,

on a first come-first served basis, divided among applications for permanent quota.

Measures of this kind are also required in a review of the Egg Board procedures to ensure that all producers can be counted on to supply their quota, and that the province can meet its quota objective.

3.2 PRINCIPLES AND POLICY FOR COMMODITY PRICING

321 General Considerations

Any discussion of pricing principles must take into account the general policy framework within which pricing is being done. Is the most economical mechanism for food production being sought for the benefit of the mass of consumers? Is maintenance of the family farm the goal or only the most efficient farms? Or is the policy to seek some happy medium between a policy framework which favours the maintenance of New Brunswick agriculture at all costs in the production of all physically feasible product, one which fosters a "cheap food" policy? It goes without saying that the government of New Brunswick does not seek the establishment of a pineapple industry or citrus production. It must be assumed that government seeks the maintenance of its well established sectors of agricultural production. Thus it would be a basic principle in considering pricing policy for the government, that fostering the long-term viability of the major agricultural sectors is an underlying principle of pricing policy for the province. However, as in any democracy, the process of pricing is also important. The mechanism by which prices are established to achieve producer viability must be credible to the major parties in the process. This means that consumers as well as producers, the trade as well as marketing boards or institutions, must be satisfied that the prices which are arrived at, and the mechanisms which are used to arrive at them, are credible and reasonable.

Most participants would not quarrel with market-determined pricing in theory. However, in practise, many producers have

found that actual results have not proved satisfactory. Government has agreed that marketing boards may be established which improve producer bargaining power in price determination and increase the likelihood of long-term viability for New Brunswick agriculture.

These marketing board functions, as indicated earlier, are to determine prices in a variety of ways: by price-fixing, by negotiation, and by participating in the market-determination of prices. Where negotiation and market participation is involved then the Commission's role should be limited to ensuring the proper functioning of the institutional and marketing infrastructure. Where price-fixing is involved, the Commission has a supervisory role to ensure that the need for long-term industry viability is balanced against the public interest, and that the process of price determination has credibility.

Cost of production bases for chicken, eggs, turkeys and milk, based on third party analysis and involvement, and national programs providing for local maintenance of the New Brunswick market, provide a reasonable basis for maintaining the viability of the changing "average" producer. For apples, greenhouse products, hogs, cattle and potatoes, industries based on supplying local markets could be satisfactorily sustained with a supportive pricing policy supplemented by income support, if the market does not yield satisfactory returns. However, those depending on market production on an export basis would, depending on government policy, have to be prepared to rely on industry efficiencies for the survival of external movement capacity. It does not appear economically feasible for the province to maintain an industry in an export posture on a long-term basis, if the industry itself does not have the fundamental advantage to compete on a national and international basis.

This does not mean that the province might not choose to make various kinds of investments to maintain and encourage an industry's external movement viability through research assistance, infrastructure and land development grants, marketing assistance, etc. But the use of pricing policy on a provincial

basis does not appear likely to be successful, without inordinate expense, unless New Brunswick producers are part of a national supply management system, or have inherent comparative advantages which they can successfully continue to exploit. This does not mean this could not be done (Quebec efforts are an example), but it would take both an aggressive investment and incomes policy by government, rather than just a pricing policy on the part of the Commission.

In this question, it is not possible to ignore methodology. Government cannot effectively monitor long-term viability of its various agricultural sectors, if it has no record of their results. Where existing institutions, as for milk products, eggs, turkeys and chicken, data is already being collected and processed, government will need the capacity to monitor, evaluate and assess the relevance of the data for New Brunswick conditions. For other crops, it appears unlikely that existing producer institutions in New Brunswick will have the resources to develop effective collection and analysis mechanisms without government assistance.

In this area, there is the question of organization and task allocation. The Commission, as an arbitrator between producer institutions and the trade, needs to be as distant as possible from the price determination process. On the other hand, it is unlikely to have the required expertise to assess and evaluate pricing, unless it has access to those who are closely involved. In this respect, it appears advisable that, while the Commission requires enhanced capability for assessment and evaluation, as well as audit, the actual involvement with inputs to producer institutions relative to industry cost evaluations should continue to reside directly with Department of Agriculture staff. The degree to which department staff or third party expertise is involved in the development of such data, will lend greater credibility, acceptability and likely, reasonableness, to the end result.

In nearly all provinces, the Provincial Regulatory Board is responsible for adjudicating disputes which arise relative to

marketing board operations, including price disputes. While conciliation or arbitration mechanisms may be used, the Provincial Board is ultimately responsible. The exception is Ontario which has established a special Tribunal Board to hear all disputes.

For milk, the situation is more complicated. In Prince Edward Island, New Brunswick, Nova Scotia, Manitoba, and British Columbia, Class 1 milk prices are set by provincial government bodies using pricing formulae as guides. In Quebec, Ontario and Saskatchewan, producer boards set fluid milk prices. In other provinces, they follow Canadian Dairy Commission prices. The Commission's role in adjudicating price for milk as for other products appears appropriate.

322 Specific Considerations

The following specific areas of pricing principle for the Commission can be identified within the general framework of encouraging long-term industry viability and credibility in pricing mechanisms, based on local production or production for external movement.

1. Protecting Traditional Markets for Producers

For most of the Marketing Boards, prices of products are market-determined. Where Marketing Boards are active in the pricing area, it is clear that their role is limited to negotiating the best possible price within an existing supply/demand situation. This situation applies to all boards except the Milk Marketing Board for fluid milk and the Egg Marketing Board. Pricing programs for these Boards are supported by surplus removal systems. The Chicken and Turkey Marketing Boards, although they fix prices in New Brunswick, have not been effective in this effort because of the absence of a product removal mechanism coupled with a national pricing system. Prices in these cases have been ultimately determined by the supply/demand situation.

For the Negotiating Boards, the situation is relatively clear. The Commission becomes involved only when negotiating activities fail to arrive at an agreed upon price. In these instances, by conciliation or eventually arbitration, a price is determined.

For the Chicken and Turkey Marketing Boards, the Commission requires the capacity to assess local production costs for itself. The failure of the national agencies to develop provincial costs of production on a current basis, requires action by the Commission to ensure that it is adequately informed of the cost situation. This could continue to be carried on by the Department of Agriculture, if it were understood that the Commission would have easy access to the data. Nevertheless, even given this knowledge, and recognizing essentially supply/demand price determination over time, the Commission should avoid interference with price-setting by the local Board, except in the sole case when, in its judgement, the price determination of the Board is resulting in a loss of local markets in competition with other sources of supply.

Processors will react over time to unsatisfactory prices by reducing commitments to purchase producer's products. This is a danger signal to the Commission that producer boards are overpricing their product.

On the other hand, should established prices continually run substantially below production cost, producers may lose interest in producing their product and filling their quotas. This may mean additional attention on the part of the Commission to ensure a satisfactory quota re-allocation program to lower cost producers, and/or provincial measures to assist producers in reducing their costs of production.

2. Reinforcing the Credibility of Marketing Board Pricing

Cost of production pricing is the objective of many boards. For most Boards, direct cost of production pricing cannot be realized, because they have no surplus removal programs. It has been successful for eggs, because of its staple nature and advertising efforts to expand markets. However, even for milk,

which has the apparatus of support, producers have not pressed strongly for direct mechanisms. They have accepted economic non-cost factors in their formula; and even in these cases using a mixed formula, formula results have not been directly applicable (except in Manitoba, where there is only a 2% leeway).

Nevertheless, producers cannot continue indefinitely in production, if they do not cover their costs. For regulated industries, administered pricing must ultimately recognize production costs, including a return on capital, if producers are to stay in production. However, such official prices should be considered maximums which producer boards can modify to meet market situations, and price adjustments to catch up should be permitted. Where open markets dictate producer prices above formula results, unless the Commission feels additional quota should be sought, no action would be called for. However, the pricing effort of boards can be substantially re-inforced if information regarding costs of production is available.

For producer boards whose price is effectively a negotiated one, prices obviously can be either below and/or above cost. The Commission should avoid regulating such prices, except to ensure as much as possible an effective negotiating process. Because producers can be below cost, they should also be allowed to be above cost when market conditions warrant it. If producers prove to be continually below costs, the Commission may consider recommendations to government of other measures aimed at enhancing the industry's competitiveness. These analyses will require efforts by the Commission to encourage the assembly of cost information. There appears to be a significant role to be played by the Department of Agriculture in this area. The Commission itself cannot be directly involved.

The situation for the Milk Board requires particular attention. The variety of pricing approaches by the provinces has often developed from historical developments peculiar to milk control legislation and its evolution by province. The use of non-cost criteria has stemmed from fears by producers that pricing adjustments directly tied to costs in periods of rapid

cost increase would have a shock effect on consumption. Producers faced long and painful periods of downward adjustment in production and continue to desire an exercise of judgement in such decisions.

The actual design of such formulae is always a subject of great contention. The formula becomes a public relations weapon, if nothing else, in the price adjustment process. Their importance is reduced when they are used only as a guide, but they must be a reasonable indicator of changing costs as well as economic conditions. While having the Board administer such a formula weakens its credibility, use of Department of Agriculture expertise in determining costs should help. Once a negotiated basis for a formula has been determined, it is much better being administered by a producer body. The Commission should be willing to referee the process of formula determination in concert with the various parties involved, i.e. the trade, the Board, and consumers.

In some instances, price setting in other provinces is done by government as well, as currently in New Brunswick. In others, it is set by Marketing Boards. In New Brunswick, in most cases, Marketing Boards set prices where they are involved in price-setting, often based on negotiations. A similar model appears appropriate for milk. Actual price-setting by government should be avoided to minimize politicization of economic forces. The Milk Board should set prices, after consultation, subject to appeal.

The role of arbitrator of prices, as is the case with other commodities under the Marketing Commission's jurisdiction, does not align well with a responsibility to set price. In this context, the price-establishment role for the Board, with oversight by the Commission, is more appropriate. This is the model in Ontaria, with the Board engaging in a consultation procedure prior to price determination.

3. Protecting Long Term Viability

For the long term, New Brunswick farmers cannot continue to

produce, if they do not achieve sufficient return to cover their costs, replace their capital and gain a livelihood from their efforts. This raises questions about the efficiency of New Brunswick producers, regionally, nationally, and internationally. This also begs the question of what the role of government is in ensuring the survival of those defined as farmers, and what crops are considered basic to New Brunswick agriculture. These questions can only be answered by the legislature and government, as the elected representatives defining and determining the public will in these matters. It is not a decision to be made by the Commission, although it may be in a position to contribute factual information and recommendations to the debate.

For those products with comparative advantage on a local or wider basis, the task is simpler. The instruments of government, the Commission among them, need only ensure satisfactory institutional structures are present to ensure efficient price determination is carried out, and that interference by other jurisdictions does not impact on industry viability.

For those products of a purely local nature, government must decide whether the price will be maintained even in the face of lower cost sources of supply. This may mean efforts to foster increased productivity, assistance with industry capital infrastructure, or straight income support. Such efforts may be within the resources of the province to sustain, particularly if there is not too much trade movement or there are national supply management programs. The Commission will need to know something about costs, the level of returns required to sustain the industry and the degree to which this can be derived from the market rather than by grants. This could involve such industries as eggs, turkey, chicken and milk products.

For those products involved in interprovincial and international supply, ensuring long-term viability is more complicated. As long as the industry is content to remain on a local supply and import basis, the costs involved in maintaining viability for an inefficient industry may be manageable. The apple, greenhouse, hog, and cattle industries may all fall in

this latter category.

However, certainly potatoes, and perhaps, hog and cattle production, may seek to gear itself to national and even international marketing. In such situations, if viability is taken to mean sustaining an industry based on exports, the pricing mechanism cannot be used as a vehicle for fostering long-term viability, and other means will have to be sought which are probably beyond the capacity or jurisdiction of the Commission to bring about.

Action by the Commission to use the pricing mechanism to maintain long-term industry viability, where feasible, will involve clarification by government as to what segment of the industry is to be maintained; the "average" producer, the broad middle range, or only the most efficient?

4. Minimum Regulation Beyond the Farm Gate

As for the Boards administering milk and eggs, the circumstances for the Commission are different. For eggs, the Commission is unlikely to become involved in producer prices at the farm level, because of the effectiveness of the surplus removal system. However, Board-established prices for producers marketing at various stages of the distribution process are vulnerable to competition. The Board establishes a price for cartoned eggs for delivery to retailers and for wholesale. A number of producers are engaged in dealer activities to various degrees and the Board has acted on their behalf to establish margins for the industry. Such Board activities, particularly with the abolition of the stamp system, and even at present, with external shippers eligible for refunds, do not prevent dealers from being involved in competition with dealers from other provinces. It would be unwise for the Commission to commit itself to guaranteeing such margins for activity beyond the farm gate. Movement of products from other provinces can threaten these margins. They could also be challenged by wholesalers and retailers, particularly if they face external competition. In such instances, it appears appropriate for the Commission to suggest to the provincial board that such margins should be

modified in response to competition, should producer markets be threatened, rather than insist that retailers and wholesalers be forced to pay such margins and consequently turn increasingly to supply from other sources. The Board then would have the option of surrendering the margin to meet the competition or maintain it, and declaring a great quantity of product surplus to the national board. The Commission should oppose action to support such margins.

The proposed change in the organization of the industry, whereby the Farm Products Marketing Commission would accept the responsibility currently carried by the Dairy Products Commission, implies increased capacity of the Commission to evaluate pricing proposals. It seems entirely appropriate, at the same time, that this mandate should include responsibility for oversight on the establishment of board prices for all Classes of milk and not solely pricing for Class 1 and 2. In a sense, this involves regulation beyond the farm gate. In this case, it is more appropriate because of the monopoly situation without effective trade in raw product.

5. Increased Commission Capacity to Evaluate Market Conditions

A basic principle of pricing policy is the assurance that administered pricing mechanisms being supervised by the Commission enjoy credibility on the part of producers, the trade, consumers and the general public. For national agency commodities, an elaborate system of cost collection and monitoring has been developed. When these operate satisfactorily, the Commission, or departmental resources to which the Commission has easy access, more desirably the latter, need to be involved.

For most other commodities, it is unlikely that the boards in question will develop costing data, particularly when they are not useful in price determination. If the Commission intends to monitor long-term viability, it will have to encourage the development of resources on the part of the Department of Agriculture to identify industry costs.

For milk, the Commission requires additional pricing information. There are two aspects to this for the Commission. One relates to fluid milk costs, which is the basis for local pricing. In this instance, the Commission will need access to the costing capability present within the Department of Agriculture.

Second, pricing formulae have become fairly standard across Canada in collaboration with the Canadian Dairy Commission. A costing formula proposal could be invited from the Board, to be agreed upon in negotiation with the participants, producers, dealers, consumers and retailers. Once agreed to, it could be established as the standard pricing basis for milk in New Brunswick. However, once determined, it should be the Department of Agriculture in collaboration with the Board which maintains it. The expertise required to evaluate will not be available without direct involvement by government. Whenever necessary, the Commission should be permitted to second the departmental services associated with its responsibilities.

6. Marketing Board Price Establishment

Marketing Boards, whether using cost of production models as guides or directly, whether negotiating with buyers or using traditional pricing structures (as for indistrial milk), should, wherever possible, involve a negotiating procedure with interested parties. Where Standing Committees, established for these purposes, have fallen into disuse, they should be reactivated as a required procedure.

For the milk industry, the Milk Marketing Board, on its own initiative, should present pricing proposals, taking into account published cost formula data, based on sixty days notice, after formal consultation with representatives of the dealers, retailers and consumers. At the end of this time, unless the price change is challenged, the new price would go into effect.

Should the price change be challenged, it would be subject to a hearing before the date of implementation, and the Commission would render a judgement as to whether the proposal would

proceed, be modified, or disallowed. Under this system, the initiative of price setting would rest with the Board and the Commission would retain the responsibility for oversight. This system is similar to the one being used in Ontario, except that the Ontario Milk Marketing Board is solely responsible for cost studies, and the government of Ontario has established a separate tribunal board to adjudicate all the disputes. In the New Brunswick situation, involvement in the establishment of costs for milk production by government would increase the credibility of the cost determination process, while giving the Commission access to the expertise enabling it to assess more effectively the correctness of the costing process.

For other prices, in a similar way, Boards should be required to engage in a consultative process. The Commission would rarely interfere in the price-setting process, except for the narrow grounds outlined earlier.

7. Commission Price Adjudication

The Commission, with the elimination of the Dairy Products Commission, would be the sole body in a position to adjudicate price disputes. By leaving the initiative for price proposals and establishment with the Marketing Boards, the Commission retains its credibility as a arbitrator and at the same time is in a position to effectively evaluate the cost situation on a non-partisan basis.

With regard to industrial milk, the Commission would be in a position to exercise oversight in an area which at present is not subject to any review. At the present time, the Milk Marketing Board adjusts prices automatically based on changes on a target return price established by the Canadian Dairy Commission. While the Milk Marketing Board negotiates base prices with dealers, since dealers have no choice but to buy milk from the Milk Marketing Board, the negotiating powers of dealers must be limited. It does not appear, looking at prices for industrial products, that the Milk Marketing Board has abused its position. Nevertheless, it would be useful if the Commission could exercise

oversight in this area as well, after insisting that a formal negotiation process is instituted. The Commission will wish to take into account the landed price of finished processed milk products.

3.3 CONCLUSIONS

331 Quota Management

The overall conclusions for the establishment of principles and a policy for quota management are as follows:

1) Ownership of quota should rest with a provincial body or its agents to ensure that quota allocation is not abused and is consistent with a family farm approach. The complexities of quota allocation dictate that the Commission delegate quota administration to individual Marketing Boards subject to Commission guidelines and appeal.
2) No single identical quota policy can be appropriate for all commodities, but general guidelines can be developed.
3) A free but formal quota exchange system which favours industry efficiency and has identifiable quota values is desirable, so that such values can be minimized and excluded from cost of production formulae.
4) Systems are required to provide for temporary and permanent quota re-allocation to maximize quota usage within the province and encourage expanded shares of national quota allocations.
5) Boards issuing quotas require all necessary legislative authorities to ensure enforcement of local and national control requirements.
6) Supply guarantees are necessary for expansion of higher value use of industrial milk in the medium term and for other products when applicable.

322 Commodity Pricing

The overall conclusions for the application of principles and the establishment of a commodity pricing policy are as follows:

1) Pricing policy can be an important factor in ensuring long-term viability for the New Brunswick agricultural sector,

particularly for local suppliers of the provincial market.

2) Market-determined pricing is the most common mechanism for price determination in most marketing board situations.

3) Negotiated pricing is a satisfactory means of strengthening producer bargaining power within an overall market-determined pricing system, when other alternatives are not feasible owing to production and marketing conditions. This applies particularly in the absence of national marketing arrangements and active interprovincial and international product movement.

4) Chicken and turkey producers have not succeeded in developing cost-based pricing for their products. This cannot be achieved within the context of a provincial marketing board system and cannot be achieved without a national surplus removal system. Commission oversight can be useful to ensure that long-term industry viability is not endangered by pricing policies which sacrifice long-term market share for short-term profit.

5) Milk and egg producers have succeeded in developing cost of production based pricing for their products and require Commission oversight of their pricing decisions, particularly beyond the farm gate to ensure the maintenance of market shares.

6) Cost of production plus a reasonable return is a valid basis for setting maximum official producer prices where Boards have monopoly price-setting powers.

7) The pricing initiative should rest with the Boards whose direct interests lie with satisfactory industry negotiation and/or consultation. Oversight should remain with the Commission whose capacity to assess costs of production and market conditions needs to be enhanced to carry out its responsibilities.

8) With enhanced cost evaluation capacity in the hands of the Commission, producer marketing boards may be permitted to establish market prices for their products, subject to challenge by or to the Farm Products Marketing Commission.

9) The Commission's primary focus needs to be limited to farm gate prices to avoid involvement in the competitive struggles between processors.

3.4 RECOMMENDATIONS

It is recommended that the following basic principles be applied to the policies for quota management and commodity pricing.

341 Quota Management

1) All quota-issuing Boards must provide for the following factors in quota management through the medium of clearly worded Board Orders that have been gazetted.
   - detailed procedures and eligibility criteria for quota application and allocation.
   - Provisions for upper limit quotas, priority allocation to small units versus large units, and opportunities for new entrants.
   - reallocation of unused quota on a temporary short-term basis.
   - permanent reallocation of unused quota after a specified period (not more than two years).
   - penalties for over-quota production.
2) All quota issuing boards should institute mechanisms to facilitate quota exchanges between producers, and favour the free exchange of quota between producers and the recognition of quota values.
3) All quota issue decisions should be subject to review and appeal to the Farm Products Marketing Commission.
4) The New Brunswick Milk Marketing Board should be permitted to evolve its quota exchange system in the light of industry experience.
5) The Commission should require the Milk Marketing Board to ensure that industrial users of Class 3-5 milk have sufficient supplies for planned expansion for five years at the expense of Class 6 users, while seeking expanded quota for New Brunswick Class 6 use.

6) All quota additional to that presently allocated by commodity organizations under supply management plans, should be owned by the Marketing Board and leased to producers at a nominal rate.

342 Commodity Pricing

1) The Commission should enhance its capacity to monitor and evaluate New Brunswick costs of production and market conditions, so as to improve its capacity to assess the competitive position of New Brunswick Agriculture by sector, its market share position, and its long-term viability.
2) The Commission should encourage producer boards to develop cost and market data, using whatever resources are available. This would aid the credibility of board price negotiation, consultation and determination. It should invite a proposal for a milk cost of production formula and seek consensus on such a formula, to be maintained on a regularly published basis by the Milk Marketing Board.
3) It is recommended that administered pricing systems for monopoly Boards, milk and eggs, based on current costs of production plus a reasonable return, be an acceptable basis for the establishment of maximum official producer prices. It should decline to review such prices when they are set below such a figure on the average.
4) The commission should avoid interference in marketing board pricing unless there is evidence pricing decisions are reducing New Brunswick shares of markets. This applies particularly to chicken and turkey prices which at times are below cost. Producers of products whose prices are market-determined should be allowed to capture windfall gains above cost when the market permits this. The Commission will maintain a watching brief to ensure and encourage the retention of the traditional markets of New Brunswick producers. This would encourage necessary action to respond

to competitive impacts based on resource inputs to producers in other political jurisdictions.

5) All price setting boards should have negotiating mechanisms or have compulsory and active consultative procedures. This should apply as much to the Chicken, Turkey and Milk Boards, as it applies to Greenhouse Products, Apples or Potatoes. No price increase should be considered acceptable unless a formal consultation procedure with interested parties has been followed.

6) Marketing Boards with pricing authorities should continue to be permitted to publish established prices for their commodities after negotiating/consultative procedures. This includes the Milk Marketing Board. These prices will be subject to oversight by, or appeal to, the Commission. This should apply to industrial milk pricing and distributor prices for eggs as well, bearing in mind local landed prices for manufactured products from outside the province. As a general principle, the Commission should seek to minimize the regulation of activities beyond the farm gate.

7) The Commission should decline to support Egg Board pricing which involves activity by producers as processors, if these are challenged. Should competition arise between processors within the province relative to externally sourced eggs, or in competition with shippers from outside the province for cartoned, retailer or wholesaler priced eggs, then the Commission should decline to enforce such processor prices on such shipments.

APPENDIX I

List of Individual Reports and Background Papers

REVIEW OF MARKETING BOARDS IN NEW BRUNSWICK	- M. M. Roytenberg
REVIEW OF AGRICULTURAL COMMISSIONS IN NEW BRUNSWICK	- D. J. Bettson
FARM PRODUCTS MARKETING AGENCIES IN NEW BRUNSWICK	- Dr. E. Mercier
THE NEW BRUNSWICK CROP INSURANCE COMMISSION	- E. A. Grant
ADMINISTRATION AND MANAGEMENT STUDY OF THE MARKETING BOARDS WITHIN THE COMMISSIONS'S JURISDICTION	- Art Maybee
THE EXPANDED ROLE OF THE FARM PRODUCTS MARKETING COMMISSION	- Wayne Buffett
THE ROLE AND RESPONSIBILITIES OF THE MINISTER OF AGRICULTURE AND THE DEPARTMENT OF AGRICULTURE	- H. R. Scovil
NATIONAL SUPPLY MANAGEMENT PLANS	- H. R. Scovil
DRAFT LEGISLATION	- B. R. Bartlett

APPENDIX II

List of Organizations and Individuals Submitting Reports/Briefs or Who Were Interviewed

Special Consultants

Mr. Denis J. Bettson, Agricultural Consultant, Fredericton

Mr. M. M. Roytenberg, President, Roygold Marketing Systems, Ottawa

Consultants

Dr. Ernest Mercier, Agricultural Consultant, Quebec

Mr. Bernard Bartlett, Agricultural Consultant, Fredericton

Mr. E. A. Grant, Agricultural Consultant, Fredericton

Mr. Art Maybee, Management Consultant, Department of Treasury Board Fredericton

Mr. Douglas C. Stanley, Legal Counsel, Fredericton

Business (Companies, Co-Ops, Dairies)

Co-op Atlantic, Moncton

Atlantic Wholesalers, Sackville

Dominion Stores Ltd., Saint John

Sobeys Ltd., Moncton

Perfection Foods Limited, Charlottetown

Baxter Dairies Limited, Saint John

Brookfield Food Ltd., Amherst

McKay Dairy Ltd., Moncton

Co-op Bas St. Laurent, Edmundston

Inter City Dairy Co. Ltd., Dalhousie

Northumberland Co-op Ltd., Newcastle

G. E. Barbour Co., Sussex

New Brunswick Marketing Boards, Agencies, Commissions, Federations

N. B. Apple Marketing Board, Fredericton
N. B. Chicken Marketing Board, Fredericton
N. B. Egg Marketing Board, Fredericton
N. B. Hog Marketing Board, Moncton
N. B. Milk Marketing Board, Sussex
N. B. Turkey Marketing Board, Fredericton
N. B. Cram Marketing Board, Sussex
N. B. Potato Agency, Florenceville
N. B. Cattle Marketing Agency, Fredericton
N. B. Federation of Agriculture, Fredericton
N. B. Dairy Products Commission, Fredericton
N. B. Grain Commission, Fredericton
N. B. Crop Insurance Commission, Fredericton

PROVINCIAL GOVERNMENT DEPARTMENTS, BOARDS AND COUNCILS

British Columbia

S. B. Peterson - Former Depuity Minister of Agriculture

Alberta

Agricultural Products Marketing Council
H. Buckley, Chairman, Agricultural Products Marketing Council
T. Sydness, General Manager, Agricultural Products Marketing Council
T. Scott, Secretary, Agricultural Products Marketing Council

Saskatchewan

Doug Maley, Secretary, Saskatchewan Natural Products Marketing Council
J. Frass, Administrative Officer, Milk Control Board, Saskatchewan

Manitoba

Dr. A. W. Wood, Chairman, Manitoba Natural Products Marketing Council

Ontario

Farm Products Marketing Board, Ontario

Johyn C. McMurchy, Chairman, Farm Products Marketing Board and Chairman, Milk Commission of Ontario

Mr. Duncan Campbell, former Deputy Minister of Department of Agriciulture

Quebec

Mr. Benoit Lavigne, President, Regie des marches agricoles du Quebec

Gilles Pregent, Vice-president, Regie des marches agricoles du Quebec

Mr. Ferdinand Ouellet, Sous-ministre, Ministere de l'agriculture, des pecheries et de l'alimentation

Prince Edward Island

P.E.I. Marketing Council

Mr. Joseph Gaudin, Chairman, P.E.I. Marketing Council

Mr. Paul Jelly, Manager, P.E.I. Marketing Council

Nova Scotia

Mr. Ralph Morehouse, Secretary, Natural Products Marketing Council

Mr. Walter Grant, Deputy Minister of Agriculture and Marketing

Newfoundland

Mr. Art Jackman, Chairman, Agriculture Products Marketing Board

Mr. G. J. O'Reilly, former Deputy Minister of Agriculture, Newfoundland

National Agencies

National Farm Products Marketing Council, Ottawa

Ms. June Menzies, Chair, National Farm Products Marketing Council, Ottawa

Mr. Gilles Choquette, Chairman, Canadian Dairy Commission, Ottawa

Staff Support (Part-time)

H. Raymond Scovil, Chairman, N.B. Farm Products Marketing Commission

Wayne Buffett, Secretary, N.B. Farm Products Marketing Commission

Dino Kubik, Commodity Analyst, Department of Agriculture and Rural Development

Douglas Wright, Solicitor, N.B. Department of Justice

Judy Haines, Secretary, N.B. Farm Products Marketing Commission

APPENDIX III

LIST OF MARKETING BOARD ORDERS

AND

AMENDMENTS, EFFECTIVE AT 1 APRIL, 1984

NEW BRUNSWICK TURKEY MARKETING BOARD

Order 1	Definitions
Order 2	Licenses
Order 3	Service Charges
Order 3.1	Change to Service Charge
Order 4	Production Levy
Order 5	Price Procedures
Order 6	Terms and Conditions for Contracts Between Producer and Processor
Order 7	Quota Regulations
Order 8	Over quota Penalty and Reallocation
Order 9	Furnishing Information

NEW BRUNSWICK MILK MARKETING BOARD

Order 1	Quota Policy (Fluid Milk Quota)
Order 1A	Market Sharing Quota Policy (M.S.Q.)
Order 2	Local Milk Committees (9 Areas)
Order 2.1	Amendment to Section 6 of Order 2
Order 3	Marketing Service Charge (M.M.B. Admin/Promotion for C.D.C.)
Order 3A	Levies (Penalty on Production over M.S.Q.)
Order 4	Bulk Milk Pick-up

NEW BRUNSWICK POTATO AGENCY

Order 80-6	Licensing of Exporters
Order 80-8	Licensing of Shippers
Order 80-9	Imposition of Levy
Order 80-10	Price Fixing, Seed Export
Order 81-2	Licensing of Producers
Order 81-6	Price Fixing
Order 82-2	Prohibition of Purchases From Unlicensed Producers
Order 82-3	Collection of Money Due to the Agency
Order 83-1	Prohibition From Marketing Until Price Contract Settlement

NEW BRUNSWICK GREENHOUSE PRODUCTS MARKETING BOARD

Order 1	Definitions
Order 2	Registration and Licenses
Order 3	Power of Seizure of Product
Order 4	Price Maintenance
Order 5	Service Charges

NEW BRUNSWICK APPLE MARKETING BOARD

Order 1	Registration and Licenses
Order 2	Definition of Price Categories
Order 3	Package and Sticker Requirements
Order 4	Appointment of Inspectors
Order 5	Power of Seizure of Product
Order 6	Amendment to Change Stipulated Date on all Orders

NEW BRUNSWICK CHICKEN MARKETING BOARD

Order I	Marketing Plan
Order I-1	Amendment to Order I
Order II	Definitions
Order II-1	Amendment to Order II
Order II-2	Amendment to Order II
Order III	Advisory Committee on Supply and Management
Order IV	Advisory Consultative Committee
Order V	Producers' Licenses
Order V-1	Amendment to Order V
Order VI	Processor's License
Order VII	Wholesale Distribution License
Order VIII	Hatchery License
Order IX	Service Charge
Order IX-1	Amendment to Order IX
Order IX-2	Amendment to Order IX
Order X	Conditions of Sale and Purchase
Order XI	Information
Order XII	Information
Order XIII-4	Order to Recind Orders XIII, XIII-1, XIII-2, XIII-3 re Price
Order XIV	Liquidated Damages
Order XIV-1	Quota Control

NEW BRUNSWICK EGG MARKETING BOARD

Order 1	Licensing Order
Order 2	Seizures Order
Order 3	Pricing Order
Order 5	Quota Order
Order 6	Appointment of Inspector